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Chinese buying Beijing newspapers for news about the resignation of Hu Yaobang.

Zhao Declares Hu's Removal

Signals No Change in Policy

ping, the country's senior leader,

"completely without foundation."

prime minister, made the remarks

in a meeting with a delegation headed by a Hungarian Pohiburo member, Ferenc Havasi.

"The personnel changes ap-proved by the recent enlarged Po-

lithuro meeting will in no way af-fect the plans, direction or internal

and external policies of the party,"

He also referred to the party's

current attack on "bourgeois liber-

alism," a phrase used to describe

Mr. Zhao said.

pointment Friday, dismissed spec-ulation that the resignation of Mr. mocracy and freedom, but said the

Mr. Zhao, who is also China's

TEL AVIV (UPI) — Israel has offered to pay a "substan-tial sum" to the family of an Irish officer in the United Na-

tions peacekeeping force who was killed by Israeli troops in "a

shameful mistake" in Lebanon.

Israel radio said Sunday.

Dermot McLoughlin, 33, a member of the 5,665-member

United Nations Interim Force

in Lebanon, was killed Jan. 10 when a tank fired three shells

into a UN position in Braachit,

north of the border with Israel.

The soldier, who had just arnived in Lebanon, was the first UNIFIE soldier killed by Israeli soldiers since UNIFIE was

He was the father of five chil-

PENDE TODAY

■ A West German businessman

was abducted by gunmen near the airpost in Beirut. Page 2.

I The Kim disrapted a march

aimed at attracting blacks to a

Georgia county. Page 3.

I indian police entered the Sikhs Golden Temple and ar-

rested several persons. Page 4.

M President Corazon Againo of-fered peace talks to Moslem re-

bels whose attacks last week

killed 46 persons. Page 2.

Remeats AB's managing districtor resigned. Page 13.

#USX Corp. and the steel workers union reached a tenta-

tive agreement that would end a

BUSINESS/FINANCE

rector resigned.

lengthy strike.

ocmed in 1978.

GENERAL NEWS

Kabul Bid 🎇

Rejected

By Rebels

Guerrillas Vow

To Continue War

By Kamran Khan Washington Past Service PESHAWAR, Pakistan — Tens

of thousands of Afghan refugees and guerrillas have refused a call by

ernment to lay down their weapons

and join in a Communist-spon-sored "national reconciliation."

At a rally Saturday on a sports field outside this city 30 miles (50 kilometers) from the Afghan bor-

der, a large crowd of Afghans cheered as the leaders of the seven

main resistance groups pledged to continue their war against the Af-

kept it in power since intervening

The seven leaders, who have long squabbled among themselves, un-derlined their rejection of the truce

offer by appearing jointly at the rally, the first time they have been

able to muster even that symbol of

The party leaders added further emphasis to their dismissal of the truce offer by autouncing that they

had reached agreement on basic principles to underlie an eventual

interim government they said they would establish in Kabul upon de-

feating the Soviet and Afghan gov-

[Afghanistan's leader, Major General Najibullah, said Sunday that his government would go ahead with its policy of national

reconciliation, and he brushed

aside the rejection by the guerrilla

leaders, Reuters reported from Ka-

attacks by guerrillas since the

night Wednesday. He gave no de-tails.]

[Guerrilla officials said Sunday

that Afghan troops attacked rebels

See AFGHAN, Page 4

[He said there had been several

ernment forces.

draining and state that the the terial is for the exclusive use of the cease-fire proclaimed by the gov-Guatemalan military. Typed on of exament went into effect at mid-

Last week, Guatemalan officials in several parts of Afghanistan de-

denied any connection with the spite Kabul's unilateral declaration shipments. President Marco Vinior of a cease-fire, The Associated

in Lisbon through a local arms

types and quantities of arms and

tioned about arms sales to

Iran since November. Page 3.

ammunition, and state that the ma-

Guatemalan military. Typed on of-ficial stationery, the certificates bear the signature of General Cesar

Augusto Caceres Rojas of the Gua-

See ARMS, Page 4

Public More Alert

To Social Misery

By Richard Bernstein

New York Times Service

France - At noon, there were sev-

leather jackets and scarves, home-

food distribution center. Support-

ISSY-LES-MOULINEAUX.

temalan Army.

The certificates list requested

nistan's Soviet-backed gov-

ESTABLISHED 1887



Afginu rebels, in Pakistan, attend a rally after rejecting the government cease-fire proposal.

Contra Arms Deals Israel Sets Sum Traced to Lisbon In UNIFIL Death

By Karen DeYoung egton Post Service

LISBON — Portuguese arms and ammunition worth \$5.6 miltion, obtained with apparently false aments by U.S.- and Canadia based companies, were purchased in 1985 and 1986 for the use of rebels in Nicaragua, according to

U.S. and Portuguese sources. Officially destined for the Guatemalan Army, the munitions were sent from Lisbon in at least nine installments during an 18-month period that ended in August.

The shipments, which included one million rounds of ammunition from Poland and Romania, began two months after Congress barred U.S. military assistance to the rebels, known as contras.

Documents made available in Lisbon, which were supported by interviews here and in Washington, of retired military and intelligence officers that was involved in the Reagan administration's secret arms sales to Iran and efforts to

resupply the contras. Portugal has emerged as an important link in the Iran arms deal and the effort to resupply the contras. Iran-bound U.S. weapons passed through Lisbon on their way from Israel and from the United States itself, according to re-cords and sources in Washington. The Portuguese government has said that whatever role its country

mwitting one. The Portuguese government ap-proved the 1985-86 arms sales

played in either operation was an

based on "end-user certificates" purportedly supplied by the Guate-

> tent in an empty lot behind a tour-People come each day to fill plas-tic bags with frozen chicken, boxes of cereal, tangerines and bread.

Restaurant of the Heart.

They show their pink identification cards to the center's director, Claude Colombani, a computer op-Cordero was freed. General Vargas Clande Colombani, a computer op-remained secluded at the base Sun-erator who has been out of work for two years, or to Albin Arman, a 54year-old self-described hobo who says he has been sleeping outdoors. even in the bitter cold, for more

The scene is a reminder of what the French generally refer to as "the crisis." By that they mean economic problems, particularly an in-tractable national unemployment rate of more than 10 percent.

That figure includes a growing army commander were corrupt and number of people, well represented at the Restaurant of the Heart, who have been out of work so long that their unemployment checks have

Moulineaux also reflects something Restaurants of the Heart organiza- by people like Mr. Colombani or new in France, which according to tion. "But in recent years, it's be- Mr. Arman, who examine each visigovernment officials and others has come clear that the state does not a less developed tradition of private manage to take care of all the mem—

The restaurants were created the mem—

The restaurants were created the mem—

The restaurants were created to take the mem—

The restaurants were created the mem charity than most countries in the bers of the public." industrialized West.

"In France we've always had the Heart throughout France serving sense that it was the state that 650,000 people every day. No queslong since stopped coming.

would protect us," said Jean-Mitions are asked. The number of chel Vagnelsy, the president of the family members is simply checked would protect us," said Jean-Mi-tions are asked. The number of

a popular French actor and come-There are 630 Restaurants of the

dian, Coluche, who died last year in a motorcycle accident. Coluche had enlisted the support of many French entertainers for the estab-See FRANCE, Page 4

Press Raid On Basra Claim Advances

Iranians

'Deep Inside Enemy Lines'

By John Kifner See Fork Times Service

NICOSIA - Iran claimed Sun day that its troops had advanced "deep inside enemy lines" in heavy fighting close to an oil refinery just south of the major southern Iraqi

In addition, an Iraqi communi-que, monitored here, said that the Iranian assault in the area of Basra had been "completely crushed."

Iraq also asserted that it had bombed Ayatollah Ruhollah Khomeini's home in Tehran. A Baghdad radio broadcast said Iraqi jets had bombed the headquarters of "the head of the snake, Khomeini," in what it described as the "capital of snakes and charlatans."

However, the official Iranian press agency reported only that a single Iraqi plane had bombed the outskirts of Tehran, killing a 55-Reviers Hu indicated that the program of attacks would not be allowed to get BEUING — Zhao Ziyang, the changes instituted by Deng Xiao-out of hand.

Iran's foreign minister, Ali Akbar Velayati, indicated Sunday that in the Gulf War.

Western diplomats said recent Mr. Velayati, during a visit to nationwide demonstrations by students calling for Western-style de-mocracy and freedoms had apparently precipitated the leadership crisis. They added that Mr. Hu's errors appeared to have been made

in the ideological field. Mr. Zhao emphasized that the personnel changes were not the beginning of another political campaign against opponents.

Kenya Abuses Dissidents,

U.S. Legislator Asserts

We are now a mature party and we don't engage in political cam-paigns," he said.

Mr. Zhao said "leftist" methods

would not be used to deal with the

and emphasized that the party

greatly respected intellectuals

Such reports, he said, were problem of "bourgeois liberalism"

this meeting will affect the stability concern is unnecessary. Exactly the opposite, this meeting was aimed at ensuring the continuity and stability of the party's policies."

Daniel Southerland of The Washgton Post reported from Beijing: Two days after Mr. Hu was forced to resign for mistakes com-mitted on "major issues of political principles," the government-controlled press has given no further explanation. The press has acted almost as if nothing had happened.

Diplomats said this silence may reflect the haste with which top leaders decided to force Mr. Hu to resign. They suggested that the leaders had not resolved all their

See CHINA, Page 4

NAIROBI - An American congressman involved with U.S. rela-

tions with Africa sharply criticized

Sunday the human rights record of

Kenya, one of the major recipients

of U.S. aid in Africa, and said he

had witnessed political intimida-

"We have seen evidence for the

past 24 bours of a drastic increase

in intimidation of individuals in

Kenya that may be critical of government policies," said Represen-tative Howard E. Wolpe, Democrat

Mr. Wolpe, who is chairman of

the House subcommittee on Afri-

can affairs, said in Nairobi that he

was also concerned by the number

tion in Nairobi.

of Michigan

city of Basra.

Iraq, meanwhile, continued its bombing of Iranian cities and supply lines, saying that it had flown 296 bombing missions Saturday night and Sunday, in addition to 206 sorties by helicopter gunships. Iran said the cities of Isfahan, Tabriz. Dizful, Sanandaj and Ilam

year-old man and two children.

Iran might try to turn the current battles, which began Jan. 9, into the long-threatened "linal offensive"

Tripoli, Libya, was quoted as saying, "The latest victories of the Iranian forces in their ongoing operations will continue till the downfall" of President Saddam Hussein of Iraq.
In an indication of mounting

Iraq concern over the Iranian assault, President Hussein presided over a meeting Saturday of his top military commanders. The Iraqi News Agency said the meeting last-ed nearly 10 hours.

"Some people are concerned that is meeting will affect the stability id continuity of our policies. Mr and continuity of our policies, Mr.

Zhao said, adding, This sort of the rancorous Iranian regime's aggression during the recent battles. In Tehran, the Iranian president

Ali Khamenei, told a visiting delegation of Shiite Moslem clergymen that "the throat of the aggressor Iraqi regime had never before been so tightly gripped."

Both sides reported that Iran repeatedly struck the key southern Iraqi port of Basra with missiles and artillery fire. Iran claimed much of the population was flee-ing. Basra, with a population of 1.5 million, is Iraq's second-largest

fran said Sunday that its troops had established positions only 400 vards (365 meters) - within smallarms range - from an Iraqi oil refinery and petrochemical plant at

See WAR, Page 4

of political detainees, Parliament

"losing the power it once had" and the "stripping" of the indepen-

Observers in Nairobi say Mr.

visiting this pro-Western country.

Mr. Wolpe said he was not seek-

ing confrontation but wanted to

"sound a warning at this point, that

the positive relationship" between

The congressman, who is on the

last stop of an African tour that

also included Botswana and Zim-

babwe, said that planned meetings,

including one with a member of

Parliament, were called off at the

last minute or broken up because of

"Police stopped a meeting with a

church leader." Mr. Wolpe said, "and the leader was advised it was

not in the interest of the state to

Mr. Wolpe, who had planned to

meet with President Daniel arap

Moi and two cabinet ministers,

said he was told the officials were

Mr. Wolpe declined to say whether he felt Secretary of State

George P. Shultz had failed to ad-

dress the human rights issue during

Mr. Wolpe called for the release

of a university lecturer, Maina wa

Kinyatti, who was sentenced to six

years' imprisonment in 1982 on

"state interference."

"not available."

Kenya and the United States.

dence of the attorney general.

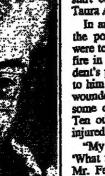
Ecuador's Leader Freed In Exchange for General

By Joseph B. Treaster GUAYAQUIL, Ecuador - The resident of Ecuador, León Febres Cordero, was released by a group of aur force commandos after agreeing to free an imprisoned air force and promising there would be no retribution against his abduc-

day that he was punched, kicked and told repeatedly he was going to be killed during the 12 hours he was held captive Friday at the Taura Air base near here. Licetenant General Frank Var-

Mr. Febres Cordero said Satur-

gas Pazos, a former air force commander, arrived at the air base about an hour before Mr. Febres



León Febres Cordero

day, and his brother, Rene Vargas Pazos, said the general probably would go to Quito "to inform the people of his future activity."
The general's brother said that until the general was released, he

had been unaware of the president's abduction. General Vargas had been under arrest since March, when he seized two of Ecuador's air force bases, saying the defense minister and the

Several leaders of the political opposition, which controls Ecuador's Congress, denounced the president's actions and said they ntended to seek a vote censuring him early this week.

President Febres Cordero was seized with nearly 30 others at the start of a military review at the 2 Jailed Shiites Part of Plot in Europe, Officials Fear Taura Air Base.

In an interview, he said that at the point when the commandos were to present arms, they opened fire in the direction of the president's party. Security guards next to him on the left and right were wounded, he said, and two others some distance away were killed. Ten other persons were reported injured in the incident.

"My first reaction was to shout, What the hell's going on here?"
Mr. Febres Cordero said. "Then my security people tried to throw

Moments later, he said, two commandos trained their guns on him and yanked him to his feet. As they led him to a bus, he said, they kicked, shoved and cursed him. "I said, 'Don't touch me, I'm the

See FREED, Page 4

ROME - Two Lebanese men arrested last week carrying explo-sives through the Milan and Frankfurt airports may have been part of a new terrorist offensive planned by radical Lebanese Shiites, according to American and Italian officials. past, officials say. Western intelligence agencies are

reassessing reports received in re-cent weeks indicating that Shifte groups based in Lebanon were plotting a series of terrorist actions in Enrope, the officials said.

Those and other reports caused [Sources said Sunday that the security forces in Italy and other Justice Department would not seek parts of Europe to go on a state of the death penalty for Mr. Hamade, beightened alert that may have perhaps paving the way for West been responsible for the arrests of Germany's extradition of the sus-

ported from Washington.

The two men are Bashir al-Khodr, who was arrested in Milan Lebanese Shiite Moslems charged on Monday, and Mohammed Ali by the United States with air pira-Hamadei, who was arrested in Frankfurt on Tuesday. Both men have known or presumed ties to ing which a U.S. Navy seaman, Shiite Moslem organizations that have attacked U.S. targets in the Robert D. Stethem, was killed. [According to the sources, prose-

cutors said that to win Mr. Hama-The U.S. Justice Department has dei's extradition to the United said it would seek the extradition of States, they had to agree not to seek Mr. Hamadei in connection with the death penalty.] the hijacking of a Trans World Air-Italian officials say Mr. Khodr is Mr. Hamadei were involved in the lines jet to Beirut in 1985.

known to have associated with sev-same operation. en men arrested in 1984 on charges Embassy in Rome.

Nonetheless, police and intelliplotting to blow up the U.S. gence officials in Europe are acting on the assumption that the actions The Italian interior minister, Os-

the two Lebanese men, the officials pect, United Press International re- car Luigi Scalfaro, said Friday that of a pattern," the U.S. diplomat information supplied by Italian in- said. [Mr. Hamadei, 22, is one of four telligence agencies seemed to estab-Antonio Badini, foreign affairs lish a link between the two men. counselor to Prime Minister Bet-

Mr. Scalfaro also said one hypothetino Craxi, said that, in light of the cy, murder and other criminal of- sis was that they had planned to arrests, Italian anti-terrorist forces fenses in the TWA hijacking, dur- attack a prominent visitor to were re-evaluating a variety of Rome. King Hussein of Jordan warnings, threats and intelligence ended a three-day visit to Rome on reports received in recent weeks. Saturday. Among the most disturbing re-Other Italian officials and an

ports was an intelligence report American diplomat involved in that five people had or were about anti-terrorism efforts said investito leave Beirut to undertake terrorgators had not determined with ist actions in Europe. certainty whether Mr. Khodr and

magistrate involved in many terrorism prosecutions, said that investi- publications." gators were particularly anxious to determine whether Mr. Khodr and Mr. Hamadei were going to use See TERROR, Page 2

Judge Rosario Priore, a Rome

charges of "possession of seditions Dozens of Kenyans have been

his recent visit to Kenya.

arrested in recent months during a government crackdown on dissi



acting Communist Party leader, said Sunday that the removal of Hu

Yaobang as party leader would have no effect on Chinese policies

and that fears of political instabil-

Beijing Radio quoted Mr. Zhao as telling a Hungarian Communist

Party delegation that the leader-ship changes announced Friday were intended to ensure continuity

Mr. Hu was criticized at a Polit-

buro meeting for having committed "political errors," but authorities

have not specified what these were.

first public statement since his ap-

Mr. Zhao, who was making his

ity were unwarranted.

of policy and stability.

Two homeless Parisians spent the night on a ventilation grid instead of going to a shelter.

West German Is Seized Near Airport in Beirut

Abduction Follows Arrest in Frankfurt Of a Lebanese Suspected in Hijacking

ter he left the Beirut airport, securi-

gunmen abducted Rudolf Cordes, an executive of Hoechst AG, the Frankfurt chemical and pharmacentical company, in a mainly Shi-ite neighborhood near Beirut.

■ Bonn Confirms Abduction Robert J. McCartney of The Washington Post reported from

An anonymous caller phoned the West German Embassy in Beirut on Saturday and said that a West German citizen had been abducted, the Caller made no demands, the Foreign Ministry said in a statement on Sunday.

A spokesman declined to specu-

late about the abductors' motives but another official said privately it seemed likely that the kidnapping was in retaliation for the arrest last week in Frankfurt of a Lebanese

suspected of being a terrorist.
The ministry declined to identify the kidnapped man, but two West. German newspapers reported he was Mr. Cordes.

Mr. Cordes was on a business trip to Beirut and that further details would be available on Monday. Officials in Bonn said Friday

that the government was concerned about the possibility that West chief, who was kidnapped in West Germans might be abducted by ex
Beirut in 1985.

Police detained at least 50 Arabs for questioning after the attack on Saturday, but released them later.

By Jackson Diehl

Washington Past Service
WARSAW — The government
of General Wojciech Jaruzelski appears to have achieved a break-

through in ending Poland's long-standing diplomatic isolation.

Prime Minister Yasuhiro Naka-

sone of Japan, on a four-nation trip

through Eastern Europe, met with

General Jaruzelski and Prime Min-

ister Zbigniew Mesener on Friday for talks that both sides termed successful. Officials said discus-

sions focused on Warsaw's desire

for expanded economic coopera-

tion with Japan, but no concrete

prime minister to postwar Poland,

came in a week in which General

Januzelski carried out a two-day

trip to Italy in his first official visit

agreements were discussed.

BEIRUT — Gunner kidnapped hostages for Mohammed Ali Hamadei, the suspect arrested Tuesday in Frankfurt.
The West German government

ty sources said Sunday. The West German government
The sources said that several last year reduced the number of people working at the embassy, at a cultural institute and at a German school in Beirut, officials said. The Lebanese suspect was said

ite neighborhood near Beirut.

The kidnapping Saturday took place 15 minutes after Mr. Cordes

to be carrying three bottles of a powerful explosive liquid when he arrived in Frankfurt from Beirut. partived at the Syrian-guarded air-port on a flight from Frankfurt, the sources said. It appeared to be the first abduction of a West German

He was initially held on suspi-cion of planning to cause an explo-sion, but a fingerprint check later revealed that he was wanted by the United States for involvement in the hijacking of a TWA jet in June

> ■ Threat to Islamic Summit The pro-Iranian Islamic Jihad, whose terrorist activities have been targeted largely at U.S. and European interests, on Saturday turned its threats against Moslems by warning Kuwait not to let the Islamic summit meeting convene there. The Washington Post report-

Iran has objected strongly to Ku-wait as the site of the scheduled Islamic summit, on Jan 26, and has demanded that it be moved to a country that is impartial in the six-year Gulf war between Iran and Iraq. Knwait backs Iraq in the war.

The Islamic Jihad statement said: "We warn everybody that we As Mr. Cordes.

A Hoechst spokesman said that have to take negative action in ants stabbed two young Jewish of Beirut and that further details wait's government, officials and in
City, and the authorities took prea photograph of Terry A. Ander- against Arabs.

Vatican, an event the pope termed "undoubtedly historic." Polish officials and the state-run

media have described the diplo-

matic activity as a major success

that has marked a turning point in the country's international rela-

nese top-rank political dialogue," said the daily Zycie Warszawy,

'additionally confirms a fact most

important to us: We are witnessing

an evident restoration and consoli-

Ending the longstanding freeze



Police in Jerusalem arresting two Palestinians after the Jewish brothers were stabled in the Old City. The authorities detained 50 Arabs for questioning, but released them later.

Arabs Stab 2 Jews in Old Jerusalem; **Police Move to Prevent Retaliation**

By Glenn Frankel

JERUSALEM - Arab assailstitutions." It was accompanied by cautions to prevent retaliation

dent trade union five years ago.
While in Rome, the general also talize a sluggish economy.

Above all, Warsaw is seeking an the general's visit last week as well

end to remaining U.S. economic sanctions, which include a ban on official U.S. credits and withdrawal

of Poland's most-favored-nation

trade status. Poland contends the

sanctions have cost the country bil-

to Paris for a meeting with President François Mitterrand, and last year several West European countries renewed lending to Poland on

a modest scale. But Poland was not

position, shaken by the crisis of credits and investments or an end ny and some other Western Euro-

The basis of the new noturn in

to U.S. sanctions

In December 1985 General Jaru-

lions of dollars in lost trade.

Warsaw Takes Big Step Out of Diplomatic Isolation

"The proclaimed Polish-Japa- zelski arranged an unofficial visit

dation of Poland's international able to obtain major new Western

on diplomatic contacts and eco- Western relations was set last Sep-

nomic assistance to Poland by tember when General Jaruzelski re-

Western countries has been a prior- leased virtually all of Poland's po-

Dozens of riot police massed outside Damascus Gate as a pre-caution against a repetition of the stone-throwing, vandalism and looting by Jewish crowds that followed the stabbing death of a Yeshive student in the area in November. Three Arab youths were convicted of that murder.

A police spokesman said the brothers stabbed Saturday, Avi

as for the lifting of U.S. sanctions,

After this week's events, Polish

officials foresee a series of new con-

tacts with Western countries and

say they are optimistic about a res-toration of normal relations with the United States.

The government spokesman,

Jerzy Urban, said last week that

General Jaruzelski would probably

make two or three other visits to the

West this year, while the foreign

Diplomats here said that a com-

plete lifting of the U.S. sanctions

could come within several months

if planned contacts proceed suc-

Warsaw.

Ochayon, 25, and Shalom Ochayon, 16, were walking on a main street of the Moslem Quarter near the Damascus Gate with the older brother's fiancee when they were attacked from behind by two

neck and Shalom in the shoulder and then fled. The brothers managed to get the gate 500 yards (450 meters) away, where a police patrol called an ambulance. The fiancée

rom several neck wounds but was in fair condition after surgery. His brother's wounds were not considered serious.

man returning from prayers at the and to instead negotiate for auton-Western Wall was stabbed. His as-omy in Moslem areas of the south. sailants have not been caught.

■ Tighter Security Ordered Prime Minister Yitzhak Shamir said Sunday that Israeli police had been ordered to improve security in Jerusalem after the stabbing of the two Ochayon brothers, Renters reported from Jerusalem.

*Police have orders to strengthen security, to increase their guard and alertness, and we will use all

The newspapers, Malaya and the
means to ensure such incidents do

Philippine Tribune, quoted intellinot recur." Mr. Shamir said after visiting Avi Ochayon in the hospi- security was ordered after the dis-

rusalem, appealed to fellow Jews to the November incident. The latnot to attack Arabs or their proper- ter led to the dismissal of the de-

stop on a five-city weekend tour of Mindanao Island, where she sought support for the constitution.

Mr. Murad said he could not respond to the offer without contacting the head of the Moro Islamic Liberation Front, Hashim Sala-

mat, who was in Saudi Arabia. young Arabs.
The assailants stabbed Avi in the After the 10-minute meeting, Mr. Murad said that he had given Mrs. Aquino a flower "as the symbol of peace" and a position paper with his group's demands.

The government has focused its overtures on the rival Moro Na-An official at Sha'are Zedek hos-tional Liberation Front in its ef-pital said Avi had lost much blood forts to end the 14-year Moslem

Last mouth, the leader of the Moro National Liberation Front, red serious. Nur Misuari, agreed to drop de-In December, an elderly Jewish mands for an independent state

Aquino Offers

Talks After

Moro Rebels

Halt Attacks

COTABATO CITY, Philippines

President Corazon C. Aquino offered peace talks Sunday to Mos-lem rebels who launched attacks

last week after asserting she had that them out of negotiations in

At least 46 people were reported to have been killed and 89 wound-

ed in the five days of attacks, which ended Saturday with an agreement

on a temporary cease-fire.

But in Manila, the chief military

spokesman said troops were on alert to prevent the violence from

supporters of former President Fer-dinand E. Marcos to try to block

ratification of the draft constitu-

Liberation Front. It was her fourth

favor of a rival rebel group.

In Manila, Colonel Houesto Isleta, the chief military spokesman, said troops had been on "maximum alert" in the capital since Sat-

additional al. covery of a plot allegedly involving.

Teddy Kollek, the mayor of JeMarcos loyalists and officers linked

WORLD BRIEFS

U.S. Lifts Ban on Drill Sales to Soviet

WASHINGTON (WP) — The Reagan administration, responding to pressure from the domestic oil and gas industry, has lifted countries on these export of drilling equipment to the Soviet Union that were impossion 1978 to force a change in Soviet human rights policy.

Officials emphasized that the Soviet Union has shown no improvement on human rights. Instead Commence Secretary Malcolm Published Commence Secretary Malcolm Published.

Otticials emphasized that the soviet Omon has shown to improve and on human rights. Instead, Commerce Secretary Malcolm Baddigs and Thursday that the controls were being lifted because they have lost their impact in the face of widespread foreign availability of like products, and have had a "debilitating effect" on the American oil and gas industry.

Mr. Baldrige said the decision to lift the controls was made in
conjunction with Secretary of State George P. Shultz, and "despute our trisfaction with Soviet human rights efforts."

Talks Collapse on EC's 1987 Budge

BRUSSELS (Reuters) — European Community budget manister than failed to agree on spending levels for 1987.

The collapse of the talks leaves the 12-nation group operating an an-

emergency financing system that is insufficient to cover its needs and opens the possibility of a damaging conflict with the European Partial ment, diplomats said Saturday. In December, the Parliament proposed and budget totaling \$40 billion.

The ministers were unable to bridge differences between require industrial countries and the Mediterranean countries over demands for

The ministers were unable to bridge differences industrial countries and the Mediterranean countries of Sunday that the military feared the Moslem rebels might join forces with dissident officers and Second Reports Dissident Was

Seoul Reports Dissident Was Tortured:

SEOUL (Reuters)—A South Korean student dissident who died while in detention for anti-government activities was tortured by the Bollion state radio reported Sunday.

The report said that two police investigators had admitted inclining.

tion in the Feb. 2 plebiscite.
About 800 Marcos loyalists Park Jong Chol, 21, during an interrogation. A police spokesman and that an official announcement on the death was expected Monday when the results of an autopsy on Mr. Park's death Wednesday become available. The officers face life imprisonment if they are found guilty of torturing the student, state prosecutors said. burned an effigy of Mrs. Aquino on burned an effigy of Mrs. Aquino on Sunday during a Manila raily that was part of their campaign against the constitution, which guarantees Mrs. Aquino a six-year term. In Cotabato, Mrs. Aquino of-fered peace talks to Haji Mursd, deputy leader of the Moro Islamic

The New Korea Democratic Party, the main opposition group, d manded Saturday that the parliament hold a special session to discuss the death. The party said the case was only the "up of the iceberg" of human rights violations by the government of President Chun Doo Hwater

French Aide Denies He Met With Suspect

PARIS (IHT) - Interior Minister Charles Pasqua denied on Sunday re-ports that he may have met with the principal suspect in a corruption case involving figures in France's former Socialist government. French radio and television stations reported that Yves Chalier, who is a former aide to the cooperation minister and is in jail await-ing trial, told the examining magistrate in the case Samrday that he had met with Mr. Pasqua before fleeing France for Latin America in April.

Mr. Challer, who was arrested in November after returning to France on a passport issued in a false name, is under investigation for the embezziement of funds intended for Third World devel-

statement: "I deny all information concerning a meeting with Yves Challer."



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Charles Pasqua

minimalert" in the capital since saturday because of rumors" that Moro Islamic Liberation Front rebels were in the Manila area.

He said there had been no reports of any incidents and that the alert might be lifted Monday.

Moscow (UPI) — Inna K. Meiman left Moscow on Sunday to undergo cancer treatment in the United States.

Mrs. Meiman, 54, was to spend a night in Vienna before flying Monday, to Washington, where she will begin treatment at Georgetown University.

Washington, where she will begin treatment at Georgetown University. Hospital. She has undergone four operations for a tumor on the back of

her neck, but Soviet physicians have been unable to halt its growth Her husband, Naum. 75, a math group to monitor Soviet compliance with the 1975 Helsinki accords on human rights, silently hugged his wife, refusing to talk about his own-efforts to leave the country. He has been refused permission to emigrate for almost 12 years.

Kemp Said to Set Date for Candidacy

BUFFALO, New York (UPI) — Representative Jack F. Kemp of New York plans to announce his candidacy for the 1988 Republican presidential nomination April 6, it was reported Sunday.

Mr. Kemp will give up the chairmanship of the House Republican. Caucus to devote more time to his candidacy, The Buffalo News reported.

He has held the post since 1981. Mr. Kemp announced Friday be would richas heid the post sance 1961. Mr. Kemp announced rinday he wonngive up his post as ranking Republican on a House appropriations,
subcommittee. The newspaper reported that Mr. Kemp will hold newsconferences April 6 in Washington and Buffalo and in the key primary
states of Iowa and New Hampshire.

Mr. Kemp, a 51-year-old former professional football player, has been
a member of Congress since 1970. Last month, he announced the creation
of a committee headed by Charles Black, a veteran Republican strategist.

to explore a presidential bid.

For the Record

Israel should maintain its economic and military links with South Africa despite U.S. pressure for it to adopt sanctions, panel of experts has recommended, Israeli news reports said Sunday Private enterprise was Mr.

The United States is reported close to establishing diplomatic relations with Mongolia, a Soviet ally on the Soviet Chinese border. "We are having discussions with Mongolia about normalizing relations," Charles E. Redman, the State Department spokesman, said Friday. (N77)

Sedan has turned down requests from both the Chadian government, and the Libyan-backed rebels for military facilities, Prime Minister Sadek. such as Abidjan, Ivory Coast, Mr.
Shultz argued that free-market systems could reacue African econoLankan Army belicooters attacked

> Ali Ahani of the Iranian Foreign Ministry arrived in Paris on Sunday for talks with the French government that are expected to focus on ways of improving ties. France has expressed concern over progress toward the release of French hostages in Lebanon





50 DO L





Farewell to Arms for Uganda Youth

to a Western country since the sup-

pression of the Solidarity indepen- it seeks to manage a \$30-billion top leaders of Solidarity. The am-

KAMPALA, Uganda — Mon-day is back-to-school day for hundreds of Ugandan child soldiers who interrupted their formal education to take up arms and fight in President Yoweri Museveni's National Resistance

The children, known locally by the colloquial Swahili word bakadogo, or little ones, have received their demobilization orders from army headquarters after up to five years of guerrilla war against the government of former President Milton Obote.

An army spokesman in Kampala said the youngsters, some of them under 10 years old, should put aside their guns, take off their

army uniforms and report to one doned and left helpless when of two special military academies

to resume formal schooling. Any found roaming around armed or in uniform without a pass from his or her school would be liable to arrest and disciplin-

duties almost a year after the army came to power.

swer critics by saying his guerrilla "Many children were aban-

ary action, he added. The order ends a lengthy debate in Uganda on the future of the child soldiers, and widespread public criticism of Mr. Museveni's government for allowing them to carry out law and order

Mr. Museveni has tried to an-

force did not set out to recruit the

massacred by Obote's murderous soldiers," he said last year.

Soldiers who fought in the National Resistance Army cam-paign said the children played an important part in intelligence gathering by posing as innocent children, and in some cases they fought successfully against indisciplined troops who underestimated their ability.

The two military academies are in the barracks at Mbarara, 150 miles (240 kilometers) southwest of Kampala, and Bombo, 20 miles north of the capital, with each school teaching a distinct



A soon-to-be decommissioned child soldier.

TERROR: 2 Jailed Shiites Part of Plot, Officials Fear Media Group

have yet to be uncovered. These kinds of people do not "They have to have somewhere to hide the explosives and somewhere of the most important groups: to plan their operations." operate alone," the judge said.

Mr. Khodr and Mr. Hamadei appear to have lived in Europe for several years. That information supports the suspicion amone many investigators that a Lebanese Shiite terrorist network is already functioning in Europe.
One difficulty in evaluating the

significance of the two arrests de-



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rives from the complex and not Amal, a large Beirut-based, politiestablished support networks that clearly understood structure of Lebanese Shiite groups.

The key question, according to U.S. and Italian investigators, in-

18 Missing Off Spanish Coast The Associated Press

BARCELONA - A Maltese registered cargo ship sank Saturday in the Mediterranean off the coast of northeastern Spain, and 18 of its guard official said. He said the 4.500-ton Kyretha Star sent out a

cal-military organization in the Lebanese political mainstream that is said to be linked to Syria; and Hezbollah, or Party of God, which originated in the Bekaa region of Lebanon that has a more clearly Islamic fundamentalist ideologica base and appears to be supported by Iran. The U.S. authorities believe that

the 17-day TWA hijacking began as an operation conducted by Hez-bollah. Later, however, the leader of Amal became the chief intermediary and Amal appeared to take over the operation. Similarly, the purported plot to blow up the U.S. Embassy in Rome

distress call before sinking, appar- in 1984 may have involved both ently after its cargo of iron bars. Amal and Hezbollah, according to U.S. and Italian officials.

Trial to Open in Italy Blast

people charged in connection with mocracy. They include Licio Gelli. the bombing of the Bologna train station bombing in 1980 was scheduled to open Monday. The explosion, on August 2,

1980, in a waiting room crowded with travelers, killed 85 persons and wounded 200. Investigating magistrates believe the attack was carried out by neo-

Fascists with links to Italy's secret tradited from the United States in services in an attempt to destabilize June, has been charged separately the country and pave the way for a rightist military government. Eight defendants are charged his trial with the others.

with subversive activity aimed at BOLOGNA - The trial of 20 terrorism and overthrowing dethe head of the outlawed Masonic lodge, Propaganda Due, or P-2; who is a fugitive; and General Pietro Musumeci and Colonel Giuseppe Belmonte, two former mili-

tary intelligence officers; and a

rightist extremist, Stefano Delle

A former secret service agent, Francesco Pazienza, who was exwith subversive association. Prose-tries with strict press regulations cutors are likely to try to combine and said the first such mission

Acts to Fight Censorship

LONDON - Publishers and editors from 39 countries agreed Sunday to create a fund to chal-

The agreement was reached at the end of a two-day meeting that cans with aid and encourage steps explored ways of combating press censorship around the world and of helping those in prison or in trouble because of their reporting.

mittee, a group of 32 news organi-Participants backed a declara-tion condemning the use of force strategic, economic, ideological and altrustic factors in determin-

news media. The document, called the Declaration of London, said borders should be open to foreign journalists to travel freely in each country and have access to official and unofficial news sources.

The resolution urged creation of a fund "to support legal challenges to censorship measures and to other abuses of press freedom." The declaration supported sending fact-finding missions to coun-

would try to visit South Africa.

our exports go to the developing countries, something like 40 perseemed to be the governing proposition of Secretary of State George cent. So, as these economies devel-P. Shultz's trip to six countries in Africa that ended last week. As he arrived at one airport or op, it is good for our economy." presidential palace after another, Mr. Shultz stressed Washington's desire for "partnership" in helping the Africans help themselves. Pure altruism was rarely men-

ing countries remake their economies in the American image.

to make Western investment safe. That was Mr. Shultz's mission as

he traveled to Senegal, Cameroon, Kenya, Nigeria, the Ivory Coast and Liberia. It was the first time The conference was sponsored that a secretary of state in the Reaby the World Press Freedom Com-

forces that seek to intimidate the ing American aid to Africa There's nothing wrong with wanting to help people and see them do better," Mr. Shultz said. "So in saying that I believe the things we're seeing are in the American interest and that's our primary

> "But I think it's important to be more hardheaded than that. So I think that it is in our interest to see countries become market-oriented in their economic system. It relates

Shultz's Goals in Africa **Building Markets, Cutting Soviet Influence Were Among Priorities**

By David K. Shipler New York Times Service WASHINGTON - Giving foreign aid is the process of doing good for somebody else in pursuit of your own self-interest. That

tioned as he and his aides offered a list of motives for providing American money to countries whose people suffer from poverty, illness and

The Reagan administration is inrested in minimizing Soviet influence, maximizing markets for American exports, securing the sources of raw materials for American industry, and seeing develop-

Economic and strategic concerns drew the European colonial powers into Africa in an earlier era. Now. 20 to 30 years after the colonies gained independence, the industrialized nations must try to woo Afri-

gan administration had visited sub-Saharan Africa.

country to adopt a socialist system. motive, I don't want to be knocking

DHAKA; Bangladesh itself to openness and democracy, a change goods worth \$70.5 million form of government that we think is not only good for the people involved but basically good for us.

"There is a sense in which everything has a strategic dimension to it," he continued. "We want to see a way of thinking that's congenial to us flourish. Beyond that, of course, a very heavy proportion of

Shultz's favorite theme. In the sul-**NEWS ANALYSIS** try cities of faded French colonial charm such as Dakar, Senegal, and in the modern cities of high-rises,

nies. He hailed the growing trend

in that direction. For example, Senegal is ending price controls and subsidies of food and some imported goods. The subsidies have helped the urban classes, who are the leaders' main constituents, at the expense of the DOONESBURY poorer farmers, who have been dis-

couraged from producing by the artificially low prices.

Mr. Shultz urged belt-tightening, especially in Liberia, whose main exports — iron ore and rubber — face declining world prices. Liberia uses the U.S. dollar as currency but also mints its own coins, which are considered so worthless that even supermarkets print their own acrip

to give out as change.

Mr. Shultz stepped into controversy when he praised Liberia for making progress on human rights. Some Liberians took issue with his assertion that the country had a free press and no political prison-

ton's desire to foster free enterprise is a mirror image of the Soviet Union's aid objectives. Where Moscow provides substantial economic and military support, it often presses the receiving

To a certain extent, Washing-

Dhaka, Moscow Boost Trade

gladesh and the Soviet Union signed an agreement Sunday to exchange goods worth \$70.5 million



Six Tame militants and eight soldiers were killed Saturday when two Six Lankan Army helicopters attacked a rebel post near the northern city of .

Jaffna, a spokesman for the rebels said Sunday.

(AFP).



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BRIEFS Since November Reagan Has Faced No Iran Questions Cussion about Mr. Reagan lections of the Iran decision to the Iran decision t The state of the s

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Washington Past Service
WASHINGTON — President

Ronald Reagan has not been quesnoned since November by his staff or others about his recollections of the decision to sell arms to Iran, a

So far as a know, no effort yet to do that," the spokesman, Albert R. Brashear, said Friday. He said Mr. Reagan would not be questioned until aides have put together their report on have put together their report on have put together their report on have been put together their report on have been put together their report on have been put together their report on have put to do that," the shipment of weapons to Iran.

"The president should not be asked to comment, certainly, until such time" as the aides have been such time sort it all out," Mr. Bra-shear said. "I don't think it is fair that he be asked to do that." Mr. Brashear said the White

House counsel, Peter Wallison, and the president's special counselor on the Iran-contra affair, David M.
Abshire, were assembling information to indicate what exactly tran-

spired."
"Until such time," he said, "it's my understanding there is no intent to go to the president with each thing that they uncover, each thing that they review, but rather to wait until the process is complete."

He said the process included investigations by Congress, the inde-pendent counsel, Lawrence E. Walsh, and the president's commission on the National Security Council, headed by John G. Tower. Later Mr. Friday, Mr. Abshire issued a statement saying Mr. Rea-gan "is continuing to follow close-ly" the efforts to compile facts bout the controversy. He said that Mr. Reagan met with him this week and will continue to meet with him, and that Mr. Reagan "remains committed to his pledge to the American people that they get all

A White House statement issued after the meeting said the two men discussed three objectives: accelerating release of information to the asparate investigations; establishing positive relations with Congeest; and maintaining a "biparti-san focus" during the inquiries.

By Susan P. Resky

New York Times Service

the National Security Council's

role in the Iran-contra affair has

moovered almost no new informa-

President Ronald Reagan named

the three-member review panel, headed by former Senator John G. Tower of Texas, in November after

saying he had not been fully in-formed that as much as \$30 million

from American arms sales to Iran

may have been diverted to the Nic-

araguan rebels.
In addition to Mr. Tower, the

other members are former Secre-tary of State Edmund S. Muskie,

and Brent Scowcroft, a former na-

tional security adviser.

According to administration sources familiar with the panel's

work, the report is being prepared without access to the individuals

and financial records the panel sees

According to the Justice Depart-

ment, the earliest such records might become available would be

mid-February, assuming the Swiss

government agrees to waive its strict privacy rules and grant the administration's request for access

Lacking subpoena power, the

panel has been unable to compel appearances by several central fig-

to the accounts.

ures in the affair.

the White House panel exam

NSC Commission Finds

Little New Evidence

reporters since the Nov. 25 announcement that money from arms sales to Iran was diverted to the Nicaragnan rebels. Mr. Reagan has said he did not know about the diversion until informed of the results of an investigation by Attorney General Edwin Meese 3d, Mr. Meese apparently was the last official to question the president about the affair.

The White House chief of staff, Donald T. Regan, who participated in the Iran arms sales decisions but also said he did not know of the diversion, has also been unavailable for comment on any subject

Many questions have come to light since Nov. 25 about Reagan's

One concerns the policy objec-tives of the arms sales to Iran, Last week, the White House made public a Jan. 17, 1986, memorandum prepared for Mr. Reagan that called the sales "the only way to free" U.S. hostages in Lebanon.

Mr. Reagan was given an oral briefing on the document, accord-ing to a notation by Admiral John M. Poindexter, his national security adviser at the time.

Another key question is whether the president approved in advance the shipment of weapons to Iran through Israel in 1985. For Israel to send the weapons without presi-dential approval would be against U.S. law. Top advisers have given conflicting accounts on the ques-

White House aides have refused to make public additional documents to shed light on these and

Mr. Brashear was whether the president was "involved" in the investigation and replied: "He is not sitting down devoting all his time to reviewing what is behind him. The president is looking forward, as he must in his job of carrying out the last two years of his term in office."

A White House official said Friday that Mr. Reagan's State of the It made no mention of any dis- oriented toward the future

mber: Richard V. Second. a re-

mor from his brain last month.

Georgia Blacks By Dudley Clendinen

this hilly, rustic area in north Georgia five years ago from the San Francisc Bay area, he thought it was a perfect balance: a cabin on a lake in woodsy country just 30 miles north of metropolitan Atlan-

and he did not notice at first, so close to that city of racial harmony, that there were no black people here in Forsyth County. He did not know the reason. But

when he tried to persuade a black women's chib in Atlanta to take some of the human development courses he teaches, along with karate and meditation classes, the club president polled her group and none of them would set foot in Forsyth County.

Nor would black friends from Atlanta drive up to have dinner with him, he said.

. These include Vice Admiral that color felt welcome here. John M. Poindexter, a former na-

Because that bothered him, Mr. WASHINGTON - Less than tional security adviser; Colonel Ol-Blackburn decided to organize "a walk for brotherhood" on Saturday two weeks before its report is due, iver L. North, a former NSC staff morning. He just wanted to demon-strate, he said, "that it would be O.K. for black people to come visit tired air force major general; Al-bert Hakim, who was General Se-

> William J. Casey, the director of and they proved to be harbingers of the walk's disruption Saturday by hundreds of robed Ku Klux Klan the Central Intelligence Agency, remains too ill to speak with the panel after removal of a cancerous tu-

> At the same time, any sugges-tions the panel makes on how the National Security Council should be organized and used in the future

viser, began a major internal review and reorganization this month. He said a week ago, for example, that the National Security Council would no longer involve itself in covert operations.

Despite the difficulties, the com-

mission sees its contribution as valuable, the sources said. It is continuing to pursue leads and hopes to produce a chronology of the Iran of this county. I know one person affair that could provide some in-whose house was burned, so you'd sights on why particular events un-better watch out."



TAKING THE RAP - Shannon Burns, 10, with her account pass-

A Kn Klux Klan member with a Confederate flag and others shouting racial epithets during the march.

the day.

Norman A. Baggs, editor of The Forsyth County News, said the old animus was diminishing as the years pass and new residents arrive. employers and a series of house and church burnings, every black person in Foysyth and Dawson Counties, hundreds in all, had been driven out.

Historically they have had tiny black populations. Several counties

But it is the history of the rape and the forced exodus 75 years ago

The county, one of four that form the northern collar of Atlanta, has grown from 6,000 residents in 1960 to almost 40,000 today, said Sheriff Wesley C. Walraven Jr.

The threats that Mr. Blackburn received have made people elsewhere wonder whether the old hostility had diminished. No blackshave moved into the county, and

have moved into the county, and

Eribune |

of America. He then pauses and smiles slowly as the double meaning sinks in: the governor himself is of Greek ances-Vic Damoue, 58, the crooner, and Diahann Carroll, 51, an actress currently to 89.7 percent.

starring in television's "Dynasty," were married in Atlantic City, New Jersey, each for the fourth time.

عميد من الأحمل

Short Takes

Gunfire killed nearly two-thirds of the 97 law enforcement officers who died in the line of duty in 1986, according to the National Association of Chiefs of Police. Sixty-one officers died of gunshot wounds, 21 in traffic accidents and 11 in plane crashes. Two died in a bomb explosion, one drowned in a rescue attempt and one died of a heart attack while chasing a felon. The figures changed very little from 1985, when 100 officers were killed, including 64 of gunshot wounds and 26 in traffic accidents.

Attending college may well improve a woman's marriage prospects, a U.S. Census Bureau study indicates, disputing a report that suggests women who postpone marriage to pursue an education are ess likely to marry. Jeanne E. Moormar book in San Jose, California, after the Internal Revenue Service said her figures show that a woman of 20 stands an 88.9 percent chance of marrying by age 65. However, if her education stopped at elementary school, the likeli-hood is 79 percent, dipping to 74.2 per-cent with some high school. Her chances rise to 86.6 percent with a high school diploma and to 93.5 percent with some college, peaking at 96.2 percent if she gets her degree. However, if she goes on to graduate school, the chances slip slightly, to 89.7 percent

Shorter Takes: Of the 52 Americans held hostage for 444 days in Iran, 51 have received special bonuses voted by Congress of \$50 for each day of captivity, or \$22,200 each. The 52d hostage was not a government employee and was not eligible. Public school pupils in Hattiesburg, Mississippi, who get straight A's receive a laminated "Gold Card" entitling them to discounts on hamburgers. pizza, videocassette rentals, sporting goods and clothes at local stores. • Anplications are up 10 percent at the U.S. Naval Academy at Annapolis, Maryland. A spokesman attributes this, at least in part, to the hit film "Top Gun" and the best-selling novel "The Hunt for Red October," both about the navy.

A Practical Guide To Marital Brevity

(IT ONLY LASTED

A handbill placed under the windshield wiper of Amy J. Haimm's car in Lawrence, Long Island, and reported to The New York Times: GOING OUT OF MARRIAGE SALE WE'RE SPLITTING UP AND WHAT WE CAN'T SPLIT UP WE'RE SELLING! EVERYTHING LIKE NEW

THREE MONTHS) -ARTHUR HIGBEE

Klan Backers Block 'Brotherhood' March in All-White County

Goal of Walk Was to Welcome

unanimous black support."

AMERICAN

TOPICS

In all nine presidential elections since

Harry S. Truman won in 1948, the Demo-

cratic nominee has won a majority of the

white vote only once, when Lyndon B.

Johnson overwhelmed Barry Goldwater

in 1964. These nine contests produced

only two other Democratic victories:

John F. Kennedy's in 1960 and Jimmy

In the 1986 Senate elections, in which

the Democrats came back from four

years in the minority to win a five-seat

majority, black voters provided the clear

margin of difference for the party's nomi-

nees in Alabama, Georgia, Louisiana and North Carolina, The New York Times

The figures come from the Joint Center

Blacks Providing

Carter's in 1976.

Democrats' Margins

New York Timer Service
CUMMING, Georgia — When
Charles A. Blackburn moved to

Mr. Blackburn is a white man,

Not since the black population was driven from the county in 1912, he discovered, has anyone of

cord's business partner; and several Israeli officials. in Forsyth County."

That is when the threats began,

The county's leadership has stepped forward to denounce the threats, which Mr. Blackburn had recorded on tape.
"Anti-Christ!" one voice hissed.

have already been overtaken to Another male voice, low and mensome degree because Frank C. Caracing, said, "I got a 30.06 bullet with your name on it." lucci, the new national security ad-

But it was the women who were the most voluble. "I just don't think it's a good idea for you to try to get the niggers to come up here," said one. "That's why we live in Forsyth County: to get away from them."

signts on why particular events in-folded as they did.

Even if the review board's Jan.

29 report deadline is extended for a

Three-quarters of a century ago, it was the blacks who moved out.

In September 1912, after a rape brief period, as now seems likely, so brutal that its victim, a young prospects that it could turn up ma-white woman, died of her injuries, for revelations are unlikely, the one of three young black men she some said.



But the county is not singular in

being a refuge for whites, he said.

mutilated and dead, having from only in recent years have any a telephone pole. a telephone pole. Within six weeks, the two others

had been tried and hanged before a crowd of 10,000 whites.
By then, after mass dismissals by

The counties of north Georgia, like those of northern Alabama or other states of the same latitude, lack the flat lands and richer soil of the old cotton and plantation belt to the south.

in north Georgia have no blacks, and residents show none of the friendly biracial feelings that devel-oped where both races lived togeth-

that make the whiteness of Forsyth County such a sharp object lesson. And the shooting of a black Atlanta firefighter at a picnic in a lake-side park there just six years ago served as a reminder of the county's

bitter history.
"Somebody's got to keep the mggers out," Melvin Crow, one of the suspects, told investigators. That statement was reported in an arti-cle on Forsyth County last fall in Creative Loafing, an Atlanta news-

Whites Hurl Rocks and Bottles; 8 Arrested "Niggers bring crime and for a major march in Forsyth AIDS," Mr. Stoner told the cheering crowd, "and we don't need "We feel very strongly about the New York Times Service

CUMMING, Georgia - A large crowd of Ku Klux Klan members and supporters throwing rocks, bottles and mud blocked a "brotherhood anti-intimidation march" through a county that for decades has had no black residents.

Several of the estimated 75 black and white marchers were struck by the objects, but no serious injuries were reported. Eight persons from the group that jeered and threw objects were arrested. The Forsyth County march was

planned to mark the Jan. 15 birth-day of the Reverend Martin Luther King Jr., the civil rights leader slain in 1968. It was led by Hosea Williams, an Atlanta city councilman and former aide to King. An estimated 800 to 1,000

whites, including about 100 mem-bers of the Ku Klux Klan, gathered in opposition to the march. They listened to a speech by J.B. Stoner, a white supremacist who was re-leased from a federal prison in November after serving three and a half years of a 10-year sentence for participating in the 1958 bombing of a black church in Birmingham,

ing crowd, "and we don't need crime or AIDS in Forsyth County." After the violence, directors of the Martin Luther King Center for King's widow, Coretta Scott King. Nonviolent Social Change asked "We have a right to march without supporters to be ready to mobilize being beaten up."

right to make a nonviolent march,



Hussein Enan

ADVISTA ARABIA'87 delegates

With the international recession and its effects on the Arab World the first budget cuts are rightly or wrongly -those related to advertising and public relations. The media, especially the press, has been adversely affected by this phenomenon. It is for this reason that ADVISTA

ARABIA'87 comes at a most opportune time. This conference will be a landmark in the history of advertising and marketing in the Arab World.

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is dedicated to helping international advertisers to better understand our intricate, if lucrative, markets as well as to promote inter-Arab cooperation and understanding in the fields of advertising and marketing. It is indeed an honour and

a great priviledge that the conference -the first of its kind to be held on such a grand scale - will be hosted by Egypt. I take this opportunity to welcome all ADVISTA ARABIA '87 delegates.



"ADVISTA ARABIA'87 will be a landmark in the history of advertising and marketing in the Arab World."

Hussin M. Enas

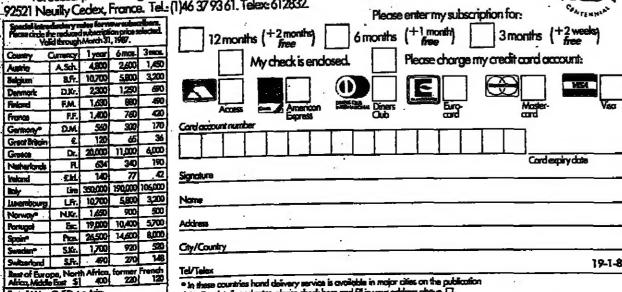
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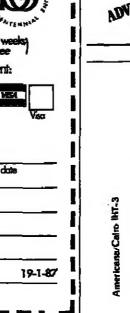
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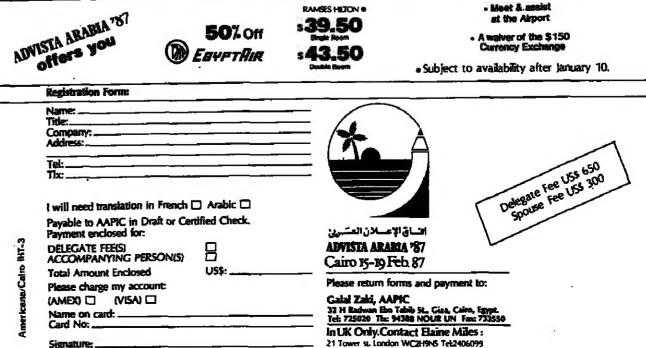
- Hussein Enan President, Board of Trustees, Egyptian Radio & TV

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RAMSES HILTON *

public comment Sunday. On Friday, he had rushed to New Delhi y

for an emergency meeting with Prime Minister Rajiv Gandhi, Mrs.

Gandhi's son and successor, to dis-

cass the deteriorating situation in

Press Trust of India, the leading news agency, reported that the po-

lice raid began shortly before mid-night and lasted two to three hours.

It said 75 people were rounded up

but that 25 persons were released after being identified as temple em-

Violence in Punjab has contin-

cent large-scale massacre of the kind that occurred when 22 persons

ued unabated in recent weeks, al-

though there has not been any re

were mardered on a bus in Novem-

nais are frequently murdered by

Nevertheless, prominent individ-

ployees or worshipers.

Europe's Cold Snap Eases But Death Toll Keeps Rising

Compiled by Our Suff From Dispatches LONDON - Enrope's record cold wave loosened its grip in several regions Sunday, but freezing temperatures took more lives and many communities remained cut

Milder weather returned to parts of Europe after two weeks of snowstorms, bitter winds and record low temperatures from Siberia to Ireland. The weather-related death toll from the cold rose to at least

In Soviet Georgia, an avalanche killed three persons and forced the evacuation of about 2,000, a Soviet newspaper said. Sovietski Sport said the avalanche occurred Tuesday in the village of Khakmati in the Dusheti region.

It also reported that 500 vacationers had been evacuated from the Georgian ski resort of Gudanri

the village was cut off by an earlier ported and the extent of damage avalanche.

Eastern Europe has experienced some of the worst of the weather, grees centigrade (41 degrees Fahrbut temperatures in Moscow were climbing toward the freezing point, and last week's snow was turning to

France, which has been among the hardest hit of the Western En ropean nations, reported nine more

More than 60 people have frozen or died in weather-related accidents in seven days in France. Among the deaths reported Sunday were a vagrant found frozen on a street in the northeastern city of Strasbourg, and a 75-year-old man who was killed while lighting a gas oven in his home.

In northeastern Italy, Trieste winds gusting up to 75 mph (120 kph) knocked down trees and power and telephone lines. No deaths in a 12-hour helicopter airlift after or injuries were immediately re-

mercial fishing was virtually brought to a halt by coastal pack In East Germany, the tempera-ture dipped early Sunday to minus 20 degrees centigrade (4 degrees Fahrenheit) and soldiers were put

to work at power plants. In Italy, the Civil Defense Ministry reported that the past two weeks of rain, snow, high winds and rough seas had caused \$100

was not known. Temperatures in the city, however, climbed to 5 de-

In West Germany, a 15-year-old walking in the Bavarian Alps was

crushed to death when an ice slab

An ice jam on the Weser River at

Officials said the ice, 1.5 miles

(2.4 kilometers) long and 3 feet (one meter) thick, was too soft to be

blown free by explosives. It was the

first ice jam to close the Weser

since 1946, when the Allies refused

to allow explosives to be used to

Icebreakers were also out in the

North and Baltic seas because com-

Bremen was threatening to cause flooding and icebreakers were

working to dislodge it.



IZMIR, Turkey — Bulent Ece-vit, the former Turkish prime min-ister, was sentenced here Saturday to 11 months and 20 days in prison on charges of violating a law that bans him from political activity until 1992, legal sources said.

Mr. Ecevit, 61, who was prime minister three times from 1974 to 1979 and was the former head of the now-dissolved Republican People Party, is restricted from politics under a law adopted after a military coup in 1980. Mr. Ecevit, who remained free on appeal, served a appeared on the evening television six-month prison term in 1981 for news last week to offer assurances criticizing the generals who led the

> He allegedly violated the ban four times, once in May 1986 and three times during elections in September, when he was said to have helped the Democratic Left party

> > By Stephen Kinzer

New York Times Service

once allied with the Sandinist go

ernment, has turned to outspoken

its ideology is a form of Marxism

adapted to Nicaragna, but Com-munist Party leaders reject that as-

They are not Marxists, not even

close," said Ariel Bravo Lorio, one

of two Communist members in the National Assembly. "If they are Marxists, then I quit Marxism." The extent to which the Commu-

nist Party has moved into the oppo-

sition camp was visible during the recent legislative debate over a new

Nicaraguan Constitution. Both

electing a president. But the left,

perceiving an increasing disaffec-tion with the PRI because of the

steadily worsening economic situa-tion, has concluded that this is an

opportune time to seek a larger role

people who belong to no party at

all, those who recognize our grave national situation but see nowhere

to turn," said Pablo Gómez, secre-

tary general of the Unified Mexi-can Socialist Party. The PRI, which has withstood

pressure from the well-organized

spectrum, regards the leftist unifi-

cation effort with a mixture of dis-

The certificates are in the form of

letter addressed to Trans World

Arms Inc., of Montreal, as the

Guatemalan purchasing agent. The

servative wing of the political

United we can attract all those

in national political life.

Mexico's Leftist Parties Try to Form a Unified Opposition

an indication that the new group left will have no chance of actually

Zhao Ziyang, right, the new acting general secretary of the Chinese Communist Party, greeting Ferenc Havasi, the leader of a Hungarian party delegation, in Beijing on Sunday.

CHINA: No Changes, Zhao Says

A Western diplomat said that the key question to be resolved is ther Mr. Zhao is to be replaced

clues to the future of the Chinese eadership and its direction, the

Prime Minister Li Peng, 58, is con-sidered to be an advocate of central planning and less than a strong supporter of Mr. Deng's changes, which include the decentralization of economic power and greater use

Sunday in an article on the front page of People's Daily, the coun-try's foremost newspaper. He was quoted as reassuring Chinese intelectuals about the importance of the role they play in society.

Mr. Li said the current campaign against "bourgeois liberalization" was directed only against those in-

the leadership of the Communist The campaign has caused anxi-

ident Daniel Ortega Saavedra is-

sued to Eugene Hasenfus, an American convicted of carrying arms to U.S.-backed rebels seeking

The party newspaper Avance has had considerable trouble with gov-

ernment censors, who, according to

one editor, "cut anything that is seriously critical of the regime."

The Communist Party is expected to join other Sandinist oppo-

nents to back a single slate of oppo-sition candidates in local elections

The Sandinists, who openly ac-knowledge their ideological debt to Marxism and who maintain close

too much ambition and too little

will to compromise ideas," said an

government agency that oversees the political activities. "They will

soon be in disagreement."

The unification process began a

year ago when two parties, the Rev-

olutionary Workers' Party and the

Mexican Workers' Party, an-

nounced plans to form the Authen-

tic Party of the Mexican Revolu-tion. The goal, party leaders said then, was to bring together farm

Last May, three more groups, the

Socialist Revolutionary Party, the Revolutionary Patriotic Party and

and labor groups.

to topple the Sandinists.

scheduled for this year.

dicated that he was a strong contender for the position of prime

well informed said, however, that it was unlikely that anyone would be appointed to replace Mr. Zhao as rime minister soon.

Diplomats said that the unexpected strength of conservative of-ficials who have been critical of the pace and other aspects of policy changes raised questions about whether Mr. Deng and Mr. Zhao would have the power needed to push ahead with them.

were wrong to start the demonstra-

edly to support proposals designed ties to Communist governments to weaken the Sandinists' control. around the world, seem uncomforting, you can be fired, branded a

Until 1984, the Communist Par-

ty was part of the "patriotic front" that backed the Sendinist govern-

The Soviet Communist Party

maintains relations with the San-

dinists, thereby implicitly rejecting

the credentials of the Nicaraguan

The Nicaraguan Communists

maintain their support of Moscow.

but the party has a distinctly Nica-

raguan flavor. Its principal base is

in trade unions, where leaders often

complain about restrictions on

key group because of its size.

Meetings among the leftist

joined in, along with another Marx-

The appearance of these two

the Mexican Workers' Party, which

abruptly dropped out. The Social-

Communist Party.

their ability to organize.

refers to the Communists a "so-called Communist Party."

Li Peng

begin more pro-democracy demon-nology of China at Hefei and then the forced resignation of Mr. Hu. But the students indicated that The two university administrators the current campaign against were accused of rejecting the Consideration has done little to convince them that they gating student demonstrators. Analysts said Mr. Hu's resigna-

Indian Police Enter Sikh Temple Complex

By Steven R. Weisman New York Times Service NEW DELHI - Paramilitary

police forces on Sunday entered the complex of the Golden Temple at Amritsar, the Sikh religion's holiest shrine, and arrested several persons suspected of involvement in terrorist activities, according to news reports here.

It was the second time in nine months that the police took the step of entering the shrine, whose sanctity has become a main point of contention in the struggle between militant Sikhs and the Indian government in Puniab state. The raid was reportedly confined

to office buildings and rest houses on the periphery of the temple. Sikh religious leaders immediately held an emergency meeting and denounced the move, vowing to prevent any further intrusion by the police into the Golden Temple

They charged that 200 innocent pilgrims and temple employees had been seized in the raid and that

militants, whose leaders had de-clared an independent Sikh nation called Khalistan.

The move shook the moderate Sikh political leadership, and Surjit Singh Barnala, the Punjab chief minister, was forced to do penance by cleaning the shoes of Sikh pilgrims at various shrines around the

The raid Sunday morning followed reports in recent weeks that some Sikh extremists had once again begun using the temple as a sanctuary from which to carry out

Such reports had led to the raid last May and also to the much bloodier army raid in June 1984, ordered by Prime Minister Indira Gandhi, in which hundreds of peo-ple were killed. Mrs. Gandhi was murdered the following October by two Sikh security guards in retalia-

Since the 1984 army raid, which by Sikh leaders, Sikhs have been extremely sensitive about the sanctity of the temple.

Mr. Barnala, a moderate Sikh whose political support has greatly eroded in recent months, made no

AFGHAN: Rebels Reject Bid furniture and records were ran-(Continued from Page 1) The Press Trust of India said that six suspected terrorists had been arrested. Press reported from Islamab The rebels also said guerrillas were stepping up attacks against govern-The last time the police entered the temple was last May, when se-carily forces routed more than 300 Some guerrilla groups had

turned down the cease-fire offer earlier this month. Saturday's rejection by all the groups came after weeklong meetings here.

Referring to the truce offer, Sibghatullah Mojaddidi, leader of the Afghan National Liberation Front, one of the seven rebel groups, said, "The Soviet Union wants us to help consolidate the rule of its puppers in Kabul."

Taking turns, the seven leaders spoke in Afghanistan's two main languages, Persian and Pashto, for more than four hours. They stood on a platform under fluttering green banners bearing Islamic slo-

The crowd listened from a field used for playing buzkashi, the Af-ghan national sport in which teams of horsemen battle for control of the torso of a slaughtered calf or

Western relief workers based here, and other Western and Afghan observers, described the raily as an impressive display of unity by the resistance movement, which is split by competing personalities, traditional loyalties and differing

interpretations of Islam. "This show of unity has dash all Soviet hopes of a split in the resistance," said Gulbuddin Hekmatyar, head of another of the par-ties. Hezb-i Islami. "All the leaders are issuing fresh instructions to field commanders inside Afghanistan to step up mids on Comm

Officials in Pakistan's Commission for Afghan Refugees said only to three million refugees in Pakistan had crossed the border back into Afghanistan in response to the Afghan government's appeal for refugees to return home.

Early this month, the Afghan sovernment declared an amnesty for all Afghans who came home and agreed to stop fighting.

■ New Diplomatic Activity. Soviet and U.S. officials were in Pakistan on Sunday for separate talks with the government, Routers reported from Islamabad

A Soviet first deputy foreign minister, Anatoly G. Kovalev, ar-rived Saturday on short notice for May 1984 and has been one the talks that open Monday with Paki-closest U.S. allies in Latin America,

Spokesmen for the Soviet and U.S. embassies ruled out a meeting between Mr. Kovalev and the U.S. undersecretary of state, Michael H. Armacost, who arrived Sunday.

Mr. Kovalev's trip was announced Friday, 24 hours after a ing welcome he received here Fri-Pakistani Foreign Ministry spokesday night after his release, when he man had said no date had been made a brief public appearance, demonstrated that Ecuadorans fixed for his visit.

BBC Confirms It Canceled Show

LONDON - The British Broadcasting Corp. confirmed Sunday that it had shelved a television program that reportedly claimed that a £500 million (\$750 million) defense project was being kept secret from

The corporation said it withheld the program on national security More than a dozen people were grounds The weekly Observer newspape

said the program uncovered a secret defense project that was withheld from Parliament despite rules requiring all projects costing more than £200 million to be reported to voted to grant amnesty to General than £200 million to be reported to Vargas, but the president refused to the House of Commons. It did not enact the amnesty until Saturday, give details about the project.

scribed the battle for Boyarian as

classic bunker-to-bunker fighting

WAR: Iran Presses Raid on Basra

(Configured from Page 1) Abu al-Khasib, about 10 miles (16

ilometers) down the Shatt al-Arab waterway from Basra. The refinery is presumably unused, since Iraqi oil production in the southern region has been stopped because of

the islands of Umm al Tovail and Fayyaz during "fierce fighting" overnight. Saturday, Iran claimed to have secured the strategic Bovar-

ian Island in the same area. A dispatch Sunday from an Ira-

advancing step by step," through "enemy mine fields, strongholds, swamps." It said "fleeing enemy troops were tracked down and ferreted from their hiding places among the island's palm trees." The dispatch said the Iranians Iran said its forces had captured had moved on from the island

"which played an important role in the defease of enemy strongholds around Basra," to capture "Do-vaivi township with its paved streets, a public park and cemen houses, which had been turned int nian correspondent at the front de- a military township by the Iraquire



Renato Guttuso in 1981.

Guttuso, Painter **And Italian Foe** Of Fascism, Dies

The Associated Press ROME — Renato Guttuso, 75, the Italian painter, died Saturday after a long illness. Mr. Guttuso was elected senator

on the Communist Party ticket in

1974 and was re-elected in 1979 to another five-year term. "His death is an extraordinary loss for the world of art and for our country," said Amintore Fanfani, the Christian Democratic president of the Italian Senate.

Mr. Guttoso developed a Cubist style in the 1930s under the influence of Picasso, but he returned to a more realistic style as World War

nted an artistic record of the war, a series of canvases depicting Nazi brutality against the Italian partisans entitled "Gott mit or God Be With Us.

Big Protest in Sau Salvador

SAN SALVADOR - About 10,000 people railied in San Salvador's on Saturday to protest government economic measures and the civil war. The demonstration was organized by the country's largest worker and peasant organization, the National Union of Salvadoran Workers.

By William Stockton

New York Times Service
MEXICO CTTY — Mexico's po-

litical left, traditionally divided, is

trying to unite into a single party that could present a greater chal-

Five leftist political groups, including the United Socialist Party

of Mexico, the country's largest

leftist group, have reached an

agreement in principle to unite lat-

As yet, the new party has no name, nor is it clear what its ideolo-

gy will be. But portions of a docu-

ment related to the merger, pub-lished here this month, said the new

party would not establish pacts

ment point for contra supplies.

see whether "military officers in previous governments" might have

Most of the certificates suppos-

submitted to the Portuguese gov-

Documents filed with Portugal's

National Armaments Directorate

give Energy Resources's address as 440 Maple Avenue East in Vienna,

Virginia, the address used at that

been involved in the shipments.

lenge to the governing party.

FRANCE: Mood of Charity

lishments, which are now in their

"Fortunately, there was Coluche," said Maurice Rochet, a former plumber who has been unem-

was work, but not now. Certainly, at my age, it's impossible."

Coluche's centers have become

ally cold weather. The cold, which was followed by snowfall and arrived amid a series of public service strikes, has focused more attention on what might be called France's social mis-

cern for one's fellow citizens.

"each one of us, the state and local governments, but also private orga-nizations, to go further" to help those "in situations of distress." The transportation authority, af-

ter refusing at first to make the Paris subway available to the homeless after the trains stop running each night, left the doors open at some stations. People have been MANAGUA — Nicaragua's

In a typical show of indepensable at having an opposition party

Small but vocal Communist Party,

Let in the small but vocal Communist Party,

would assist the anador the Branch of the Bra The Communist daily L'Human-

village of Champieny-sur-Mame east of Paris, where the Communist Party has controlled the local government for 40 years, aki jackets and sweaters had been distributed to the children of "the least advantaged people." The cost to local taxpayers was about \$5,000.

Many of the French rememb

bridges these days. Most of the homeless sleep in the government-

supported reception centers.

(Continued from Page 1) million in damages nationwide.

second season of operation.

ployed for three years, at the tent Friday. "I worked for 35 years," said Mr. Rochet, who is 54. "Before there

m emblem of a particular mood in France this season that was rompted most recently by unnsu-

ery index. It has produced more declarations in favor of "solidarity," which in French means con-Prime Minister Jacques Chirac

that the several thousand homeless coup. people in Paris could find beds in reception centers around the city. President François Mitterrand

the days when the homeless slept picturesquely under Paris's arched bridges and received public hand-

But Mr. Arman noted Friday that there were roads under the

would not be bound to Moscow or

A united leftist party would be

expected to take a strong anti-U.S. line, calling for a moratorium on

payments on Mexico's foreign debt

and a sharp curtailment of pro-

grams that would increase Mexican

echnically and economically.

ependence on the United States

The leftist leadership's hope is to

field a single candidate in the 1988 presidential election campaign who

could provide the strongest possi-ble challenge to the dominant par-ty, the Institutional Revolutionary

Party, known as the PRI.

y would not establish pacts has governed without interruption international organizations, for nearly 60 years, that a united

(Continued from Page 1)

disagreements and were uncertain

what to say next.

That decision would provide One possible candidate. Deputy

Mr. Li was prominently featured

tellectuals who reject the four car-dinal principles of China, which include upholding socialism and

ety among many intellectuals. Some fear that their work will now be restricted and that they will be

forced to make self-criticisms or will even lose their jobs. Mr. Li said that the Con

Party "cares for and trusts the broad masses of intellectuals." Diplomats said that the promi-nence given to Mr. Li's remarks at a time when little information is available on leadership changes in-

A Chinese source who is usually



cooperate with their opponents.

tions, which spread to more than a tion was likely to deepen the sleepti-dozen cities in December and early cism that many Chinese students and young intellectuals feel toward

FREED: Sandinists, Communist Party: A Split on Ideology

(Continued from Page 1) esident of this country," he re-

Ecuador's Leader

say that this country is not ruled according to capitalist principles?" The Communists also say the Later, he said, as he resisted demands from his captors, he was told that an execution team had been formed. He said a man came into the room and said: "Twe been

"Nicaragua is in a great crisis," Mr. Bravo said. "The counterrevoput in charge of killing you."

It has been impossible to learn lutionary war is affecting every asthe identities of the president's abpect of life and we have to see how ductors or to interview them. Both General Medardo Salazar to end it. All of us inside the country should sit down and find inter-Navas, the minister of defense, and nal solutions that would allow us to Colonel Patricio González, the live together. If the political groups base commander, were among still in the country were united bethose taken captive, as were the hind a consensus program, the

nternational reputation.

want to live in a democracy

In the incidents last March, Ger

eral Vargas, 52, announced that he

had taken control of two air bases

and intended to hold them until the

defense minister, General Luis Piñ-

eiros, and the commander of the

Four days later, the officers re-

signed. But General Vargas contin-

ued his rebellion, insisting that his demands had also included a crimi-

nal investigation that was not being

Mr. Febres Cordero, 55, sent

roops to put down the rebellion.

reported killed and General Varyas

was placed under arrest at a mili-

tary barracks, where he remained

until Friday. In October, Ecuador's Congress

army, General Marinel Albrija, re-

But he said he believed the rous-

counterrevolution would lose politcommanders of Ecuador's navy and air force. cal strength." Mr. Febres Cordero, a 54-year-In a recent party statement, the old conservative who was elected in Communists said the Sandinists' attitude toward other parties in the country was characterized by "dissaid his capture recalled Equador's respect, crudeness, bribery, fac-tionalism and divisionism." history of coups and military dictatorships and that he thought it had probably tarnished the country's

However, the statement praised the government for its "efforts to suppress anti-Communism and

party will fail eventually because the People, joined with the first two among the leftist leaders there is and signed a pact as a step toward Like many other Commi unity. Missing, however, was the United Socialist Party of Mexico, a parties, the one in Nicaragna is led by a strong figure, Eli Altamirano Pérez, who ran for president in 1984. He is said to maintain tight cipline over party members. It is groups continued. Last fall, the United Socialist Party of Mexico, not known how many people be-long to the group, but it is not considered a major political force. One political observer said, ist group, the Communist Union of the Left. "Most people feel that if you're a Communist and you're in Nicara-

gua, you might as well join the Marxist groups was too much for

But Mr. Bravo said, "They are Bonapartists," meaning that San-dinist leaders "have taken their

ist Revolutionary Party also dropped out at about the same time, bringing the number of coali-tion members back to five. militarist attitudes into govern-

> were shipped. Next in the Arms Directorate file is a March 5, 1985, letter from Defex, requesting clearance to combine its next shipment with half a million rounds of Polishmade 7.62mm ammunition, also

user certificate for additional equipment. While the U.S. agentaddressee was still Energy Resources, the address given for the company was the same as that of asked for 10,000 rifles, 10,000 Defex, in Lisbon, A 10th and final pounds of TNT, 1,500 detonators, certificate, again locating Energy 150 M-79 grenade launchers with Resources at the Lisbon address, nades, 150 60mm mor- was dated July 29, 1985.

time by a company partly owned by Major General Richard V. Secord, a retired air force officer. General Secord, according to flight plans filed with Portuguese signed by General Caceres Rojas, air traffic controllers on takeoff, with his name and an official de-(Continued from Page 1) cio Cerezo and the defense minister, General Jaime Hernández air traffic controllers on takeoff. Méndes, said Guatemala had neicongressional sources, had a major the arms flights were destined for fense ministry seal stamped below. ther ordered nor received weapons from Portugal and had not served

role in the Iran arms operation and in aiding the contras during the as a cover destination or transshiponal ban, apparently at the behest of Lieutenant Colonel Both officials said General Cace-Oliver L. North, who was dismissed res Rojas had not signed the certifi-cates. The defense minister said an recently from the National Security investigation would be started to

Energy Resources gave the Guatemalan certificates to a Lisbon weapons dealer, Defex-Portugal. Jose Garnel, one of three partners in Defex, acknowledged handling edly supplied by Guatemala were the Portuguese end of the pur-chases, but said that the proper ernment by a company called Energy Resources International, which identified itself as an agent for papers certifying the Guatemala destination had been submitted to

the Portuguese government.

At least two, and possibly sever-

al of the nine shipments were

flown to Central America aboard

Guatemala But Southern Air flight logs later filed with the U.S. Department of Transportation indicate that flights on the dates in question went from

Lisbon to Ilopango, in El Salvador. Ilopango, the main base of the Salvadoran air force, has been identified as a major transit point for weapons to the contras. The paper trail that outlines the Portugal operation began Dec. 21, 1984, when Defex sent three enduser certificates to the Arms Directorate, as required by Portuguese law for arms exports.

Guatemala has no diplomatic representation in Portugal with which the documents could have been checked. But Portuguese officials said they had no reason to doubt the veracity of the order, Portugal's first major weapons sale in Central America. They said the request was circulated through the defense and foreign ministries, and that neither raised objections.

On Jan. 10, 1985, before the requested items had been shipped, Defex sent a letter to the Arms Directorate asking that permission to arrange the transit through Por-tugal to Guatemala of half a million rounds of 7,62mm ammunition from Bucharest. The Guatemalans had asked, the letter planes belonging to Southern Air documents request 3,000 mortar said, that the shipment from RoTransport, which has acknowlgrandes, one million 7.62mm rifle mania be combined with the uppart. Portugal does not manufacture.

ARMS: \$5.6 Million in Illegal Contra Arms Shipments Apparently Made Through Lisbon

The contras have long been supplied with Eastern bloc munitions which apparently are preferred as a means of concealing the origins of the Western money that pays for the equipment. The following month, Defex sub-

mitted another five Guatemalan end-user certificates, dated Feb. 14, 1985. The documents listed a new Guatemalan agent, Energy Resources International, at the address in Virginia. The letterhead and the signatures were identical to those on the previous submissions. But this time the certificates

tars, 3,000 60num grenades, 100 According to official files in Lis-81mm mortars, 2,000 81mm gre-bon, the shipments included, in ad-57mm recoilless rifles.

ture M-79 launchers or grenades and so could not provide them. Of the 10,000 rifles requested, officials said, only 3,787 ultimately were sold. Of the 10,000 pounds of explosives requested, 6,700 pounds

purchased by Guatemala and to be shipped via Lisbon. On April 10 came another end-

nades, 150 machine guns and 30 dition to rifles, explosives, mortars and ammunition, at least 20,000 The requests were approved in Portuguese-made anti-personnel

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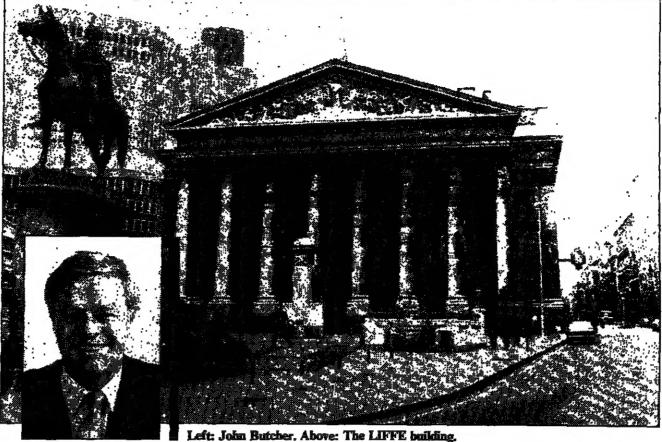
Britain's venture into privatization of government industries represents the country's most important economic and industrial change in the past four decades. Encompassing key industries led by the transport, energy, communications and shipbuilding sectors of the economy - it can probably also claim to have generated the most international interest in Britain over the same period. In a way, it has served to pioneer similar privarization plans in Europe and other parts of the world.

The main voiced objectives of the government's privarization policy are that it will achieve greater business efficiency, stimulate wider share ownership, increase competitiveness and, by so doing, allow the powers of the free market to achieve more than they could under state control.

The government argument is largely based on the fact that most of the important industries of the country failed as state-run corporations, were prey to political and bureaucratic involvement, and that government needs, under such a system, often had to be overlooked. Borrowing was underwritten by the government, was indistinguishable in market terms from other forms of public sector borrowing and, as a result, the needs of individual state industries, on occasion, had to be subordinated to macroeconomic requirements. While claims for greater expenditure may have been justifiable in commercial terms, they nevertheless had to be viewed against the totality of public expenditure. The constraints stemmed from the paramount need to preserve public accountability through Parliament for the use of public money.

On a broader horizon, the sale of state-run corporations has generated a massive flow of cash for the government which, in the short term, will undoubtedly solve more than a few economic ills. What happens in the long term will depend on its reinvestment skills. Obviously, on an economic, political and ideological footing, the privatization process has gathered more than a few critics, although its industrial success appears recently to have considerably held back the flood of thetoric.

Privatization, however, still remains the main point of contention for the opposition Labor Party and, while it should be argued that only history will be able to gauge the program's long-term economic advantages or shortcomings, its all-round implications for the future do remain a major topic for debate.



The government's strongest card at this point is, undoubtedly, the record profit most of the companies have chalked up since privatization. John Butcher, the parliamentary Undersecretary of Scare for Industry, holds an impressive list and points out that this is just the beginning. "Privarization has revitalized some of our most important industries, has brought about the very changes that British industry has long needed - less state interference, more efficiency, better service to customers, increased incentives for management and employees," he said. "And the boost it has given to wider share ownership has helped create a more positive attitude among the public at large to the future of British industry. It has created a new awareness at home and abroad."

The industrial success of the program, he says, can be measured in the sudden surge of profits from the newly privatized companies, many of which were floundering under state ownership and, very definitely, had lost their place in competitive world markets.

"The figures speak for themselves," he said, "The National Freight Consortium's pre-rax profits are up 70 percent for '85 and up six times since its 1982 privatization. Cable and Wireless has registered pre-tax profits up four-fold since its 1981 privatization. Amersham's pre-rax profit had doubled since it went to the private sector in 1982. Jaguar has come from near-bankruptcy and extinction to lead the country's automobile exports since its privarization in 1984. Its pre-tax profits were up 33 percent in 1985 compared to '84, with output at record levels and the provision of 1,500 new iobs. And British Aerospace has tripled its pre-tax profits since privatization in 1981."

Butcher believes that an important ingredient in the success of the privatization process has been the commitment of employees and the public to become involved in the country's own industry. "It has served to change the national culture," he said. "Individuals now no longer see share ownership as something for the rich. "It is something they can all become involved in. And when it means owning a part of their own company, then obviously it brings a change of artifude. It is removing the old distinctions between owners and workers. I believe it has made management and workers together more dedicated to the task of succeeding. And I believe that together they have already shown that this process works."

Employee interest in owning shares in their own companies has, feels Butcher, already served as a statement of their own commitment to the future of British industry.

"Over 450,000 employees have acquired shares in the firms they work in," says Butcher. "That represents over 87 percent of employees in privarized companies. When the National Freight Consortium was sold, 11,000 employees and their families bought 83 percent of the equity. A further 7,000 employees have bought shares since. And when British Telecom came on the market, 96 percent of its employees applied for shares."

Thirteen major companies have been privatized up to now but the government has plans to transfer around another four to the private sector, depending on market conditions, before the end of this Parliament. Those already privatized are British Aerospace. Cable and Wireless, Amersham International, the National Freight Consortium, Britoil, Associated British Ports, International Aeradio, Enterprise Oil, Sealink, Jaguar, Inmos, British Telecom and British Gas. In the same privarization period, all six of Britain's warship yards were also sold, four of them in management buyouts, and six subsidiaries of the National Bus Company were sold, five in management buyouts. The four remaining state companies up for transfer are: British Airways, National Bus, British Airports Authority and Rolls Royce.

By the end of 1987, after the BA, BAA and Rolls Royce sales, almost half of what comprised the state commercial sector in 1979 will have been sold to the private sector.

While there have been worries that privatization preempts funds for the private sector, Butcher feels they are unfounded. "The timing of sales is carefully planned," he says, "and the capacity of the market has been extended by new investors attracted by the very success of privatization. Market capacity as a result is very considerable — over £8 billion was raised by U.K. companies on the Stock Exchange up to December 1986."

Overseas interest in the privatization program continues to grow and is, in fact, providing room for a new export privatization know-how for many British institutions who have been involved in the British process. Two British banks are now involved in the first French privatization project of Saint-Gobain, the giant glass and building materials company. Several institutions have also been approached for other French privatization projects, and others in Europe and other parts of the world.

Where will it all lead? "In Britain, I'd like it to lead to much wider share ownership," said Butcher, "After all, 60 percent of our people now own their own homes and that's one of the highest ratios in the world. I think it would be magnificent if we could get 60 percent to own shares in industry and more people joining those who already have taken a real share in the nation's assets."

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多Schroders

Keen Foresight Marks a Forerunner

Government began planning Telecom, European investors had little interest in buying U.K. shares. In fact, the track record was so insignificant that the financial houses were hardly about to be inspired by Britsin's venture into privarization or the vague interest of European investors. And when the Chief Executive of the Swiss Bank Corporation International Ltd. in London came forward with an offer to handle a European share tanche, no one took him too seriously. The British Government obviously felt it worth a try but, rather cautiously, decided that Europe, in this case, would mean Switzerland only. The Buropeans after all, had hardly fallen over themselves to play U.K. stock markets up to then and trying several European countries at the same time was not considered feasible.

The Swiss Bank Corporation had a different view. They felt that the privatization process in Britain would generate a new European interest and held immense potential. Such foresight paid off. The bank which had been a lone runner at the start, handled the Swiss share offers for British Telecom, Britoil and British Gas, It has also won the advisor's role for Banque Paribas. It is no longer a lone bidder for European offerings, having proven the market with the Telecom exercise, and has since had to join a long line-up of institutions in what is known in-house as "the beauty parade" to bid for the European tranche

In late 1983, when the British turned its expertise to good use. Government's tightly con- offering was unthinkably large. "The involvement has trolled program, generally not It ended up being twice overfor the privarization of British helped us enormously," ex- allowing more than 15-20 per- subscribed but, a year previous-

bank's executive director. "We are one of the leading houses of the fast growing equities market and our involvement with the British government has one more to handle. I don't ages greater investment. And gained in Britain helped us to of having overseas tranches is win the role of advisors to the to generate a better price." French government for the floating of Banque Paribas and it is leading to further business in the private sector." By establishing such a track record of successes, the Swiss Bank Corporation now hopes to become interest from Europe and Canainvolved in many other coun- da encouraged many to take tries' privatization processes. another look. Summer, in fact, envisions a massive boom in European trading as a result of Britain's privatization programs which, he said, are already spearheading similar plans in many other countries.

According to Summer, the French appear to have the most active privatization program lined up, led by the massive Saint Gobain Corporation and Banque Paribas. There are also signs of increased activity in Germany, Holiand and Austria. But the one market that could develop in the future is Italy which, Summer pointed out, "has enormous Government holdings going into almost every imaginable area."

While overseas share offerings in British corporations have met with some opposiofferings. It has, however, tion, Summer believed that the tially, the size of the £6 billion

plained Julian P. Summer, the cent to go to overseas investors, ly, it had seemed a mammoth has, in fact, worked in favor of

European tranches and we have in world markets, and encourdoubt that the expertise we one of the obvious advantages

Britoil experience. After a disastrous first issue, Britoil rather nervously reviewed the next offer. But noises of the softening of oil prices, and positive

"I think the only time overseas offering could be really unpopular," said Summer, "would be if the man on the regulations. They have what is called a "claw-back" stipulation which means that if retail investors apply over a certain number, then some of the shares can be taken back." This happened with the bank's initial allowance of 175 million Brirish Gas shares worth £230 million. Under the claw-back clause, the bank was finally left with 102 million shares worth £137 million.

"It could be argued," said Summer, "that, as the deal got closer, British Gas could well have done without us. But, ini-

An additional government "There are many clear ad- benefit of having someone like vantages to be gained from hav- the Swiss Bank Corporation, ing overseas shareholders," he around, continued Summer, lies belped build on our name. said. "It generates a lot of inter- in using the bank's relatively We've handled three successful est for the companies involved low commission structure to lever lower prices from U.K. institutions involved. "The government use us to bash the institutions in Britain," said Summer. "If they are asking for He listed as an example, the a yield of ten percent, for example, then the government can argue that the European offering is only costing six percent." Summer explained that while his bank has kept its commission demands relatively low, it has achieved a great deal of benefits from being involved.

How does Summer see European interest growing in British shares from now on? "Well," he said, "British Telestreet in Britain couldn't buy com really turned the tables. them. But that's not possible There was suddenly an enorwith the British Government mous European interest in British shares. And Telecom served as a successful promotional tool. People who invested in Telecom doubled their money instantly. Since then, I think the privatization programs have served to continuously awaken peoples attention. And that has definitely meant an increase in European investing in Britain."

> This supplement is the first in a series of Special Business Expansion advertising sections, written and created by Anna Francis and Dominique Surel.

Getting involved in privatization means getting involved in the operations of the companies themselves. For a merchant bank like Schroder, that has meant 2 variety of experiences: from sending in teams of financial expens to learn the ins and ours of running ports and transportation networks, to studying the latest advances in modern communications.

Derek Netherton, the director of 1. Henry Schroder Wagg Ltd. in London said, "It has been necessary for everyone working on privatization projects to fully understand the company and its all-around operations. When we became involved with the Association of British Ports, for example, we had to send in teams who, at first, had little idea of how a port actually worked. So, they had to stay and study the entire operation and ensure a thorough knowledge of each port facility. Schroder eventually must write the prospectus, and that becomes the selling document, so a comprehensive study has to be made."

Schroder was, in fact, one of the city's first financial institutions to become involved in Britzin's privatization lineup. In the early days of Prime Minister Margaret Thatcher's government, they were called in to advise the National Freight NRC as their own and were Corporation on its preparations for privatization.

"It was a difficult time for the company," said Netherton. "They held less than a ten percent share of the fragmented market. Their main competitors were the small haulers. They had been forced to reduce their work force on the parcels side due to the changing ways of parcel transportation. And

had was not at all profitable for either side. Their strength, however, lay in the delivery side of their business. They had tried to differentiate themselves from other delivery transporters by ensuring return loads. So. if they were delivering something from point A to point B, they would aim to get a load from point B back to point A. And they had moved into the fashion business with companies like Marks and Spencer. and into cold storage with distribution to and from depots. They were diversifying into areas where service was important. When you studied the overall picture, they had a lot of

opportunity." Schroder's task was to examine the different ways in which NFC might go about privarization. The government was eager to see NFC given a chance within the private sector, and finally a munual decision was reached with NFC for a management-led buyout and a con-

"It was a politically attractive project for the government, which was quite avid about making progress in privarization," said Netherton, "It was an early runner in the wider share ownership program and the company was fortunate in that its employees regarded prepared to take the risk of investing in it. It was, and still is, an encouraging example of

Schroder, however, had to wade through many difficulties to set the stage for the final buyout. First, the company had a £50-million debt problem; therefore it could not use its land assets as collateral because. technically, the creditors would the British Rail contract they move in if something went

wrong. The rule was finally the pension fund side. The fund represented two to three times public did not subscribe. the value of the company, although usually it should be late in the day, had no time to government stepped in to fund the deficiency.

After the NFC experience, Schroder became involved in the far more complex anempt to privatize the Association of British Ports.

"It was the ugly duckling turning into a swan story," said Netherton, "Schroder was called in rather late in the day to advise the government. So we sent off teams to different ports to examine the situation, The work force was shrinking it was the time of casual labor at the docks and strong management. The dock labor scheme stipulated that all dockers were guaranteed work. And they were moving into containerization, which served to decrease the number of employees

When we were called in, the government had decided to sell off only 51 percent of ABP, due to sensitivity within the workforce. We had to try and make the deal attractive to investors. So we had to fully comprehend every aspect of activity. Docks, to non-insiders, usually mean trouble - unions and strikes. We decided that the yield on the shares should be about 10 percent. It was capitalized at £45 million, so it was small. The record did not look very good, so ABP required an excellent description and the employees needed to be ameliorated with free and pre-

On the day before floration, changed and the banks in- the merchant bank involved volved were able to acquire bet- with ABP signed documents ter security on these assets. for the government guarantee-Then there was a problem on ing that it would take all unsold shares in the event that the

"Schroder, because it joined

only about half the worth. The do this," said Netherton. "But we obviously were concerned for its overall success. A pressconference was called and the press could well have concentrated on all the negative points, like the unions and strikes and the low profits, or they could have gone the other way and talked about the potential of the property. But the issue. And the ABP offering ended up being 33 times oversubscribed, so it worked out

> The government still held 49 percent of the shares, so whenthe second tranche came up for offering, it was decided to try and offer shares by tender.

"There were womies that it would not work," says Netherton, "but they got 2 much better price of £2.75 per share. It was a nervous time, though, because the market had turned against us, so the £2.75-a-share achievement was rewarding. And the financial press acknowledged that we had obcained a better peice, so it was considered a successful tender."

One of Schroder's most challenging involvements with modern technology in the British privatization lineup came with the second tender of Cable and Wireless, the little-known but giant British communica-

November 1981

public. In fact it was a very modern company and its technology was, in many ways, superior to that of British Telecom. It needed value for money advertising. It was going for a less-wide audience than British Telecom and did not want a repeat of over-subscription like the first share offering. It also wanted to raise its profile in Japan and Canada. It saw the Far East, for example, as a major potential for growth."

Schroder came up with a novel structure for the £900million Cable and Wireless offering. "We had to ensure that there were enough shares available for the public but, on the press was very positive on the other hand, had to consider what would happen if the public did not go for the offering" said Netherron. "We had to figure out a balance. So we decided to sell some to the institutions first so we would be left with only a balance. If the institutions were already participating, then that showed a factor of confidence. Then we came up with an unusual structure where about 60 percent of the £900 million had to actually sell. But, within this 60 percent, some 30 percent were bought by present shareholders so, in reality, there was only30' percent left for Cable and

> marker." For Schroder, such involvement has only added to its active profile in the British economy. In 1985, the London division of the company posted record profits and participated in 22 public takeovers and bids concluded during the year.

Wireless to hard-sell to the

As a result of its successful Cable and Wireless is the involvement with privatiza-14th-largest company in the tion, Schroder is now advising country," said Netherton, "but overseas companies and govit was not well-known to the ernments on similar ventures.

Telecom's New Commercial Approach

Five years 2go, 250,000 people in Britain were on a British Telecom (BT) waiting list for telephone installations. Those with a line had to rent their telephone apparatus from the company, and frequently had complaints on the service. That represented a captive dientele for Britain's sole relecommunications company.

Today, the waiting list has been removed, customers can now choose and buy their own apparams from a large selection on the market or rent it if they prefer, and the complaints are quickly declining.

While British Telecom's recent improvements cannot all claim to have come about as a result of privatization - many changes were already in the early stages of implementation before the shares were floated the new company structure and the more innovative approach to management have allowed for broad-based expansion.

Willem P. Kember, British Telecom's Corporate Financial Controller, believes that privatization's most important impact on the company has been to change the whole "culture" of the communication giant's internal management structure.

"It has enabled us, in the first place, to make more of our decisions on commercial instead of political grounds," he

Kember pointed out that British Telecom itself is a part of one of the fastest and most competitive growth industries of this age and, as such, required a thoroughly commercial approach to business.

The new, commercially oriented Telecom operation hopes to remain an active competitor in the world marketplace while. providing more comprehensive nusiness and consumer services

According to Kembler, BT already can claim to "run the best international relephone service in the world." basing

things, the fact that the compamy is internationally reputed to have the most comprehensive range of self-dial services available through its national network In fact, Britain offers direct-dial links now to 173 councies - with Chinese links to Peking, Shanghai and Guangzhou becoming the 173rd last Dec. 1, BT also has the second largest share in Inrelear, the relecommunications satellite which has the U.S. 28 the biggest contributor, with France third behind Britain.

While BT has branched out into many different communicarious areas, particularly those relating to business, it has had to follow one constant major objective since privarization to keep prices down for the home

"During the period of high inflation countries like the U.S. and U.K. faced political pressure to increase their prices," said Kembler. "They were really out of balance but, in the past two to three years they have been at the correct level, nearer to the actual cost. And there is a balance maintained."

The company has 1.5 million shareholders, including 95% of BT seaff who bought into the company when it was turned over to the private sector in 1984 BT has found it very necessary to live up to their

This has not proven too difficult to achieve. BT has expanded on its digital services, installed sophisticated equipment in 6,000 telephone exchanges around the country as part of an ongoing modernization plan, instituted a chain of Telecom shops selling a wide variety of apparatus, and has built up a directory of business services to suit the needs of modern day commerce, finance

"Liberalization has allowed us to be more innovative and to increase our business activities," said Kembler. "We've his claim on, among other had tremendous business, for thy as a result."

and industry.

comple, with Cellner, the mobile phone system, with Pressel the on-line system, and the elecmonic mail box. And the free dom has allowed us to become active in cable TV and invest in half a dozen franchises We have also moved into the acmisitions area. Since privatization. we bought the Canadian company Mittel which manufactures PABX equipment, International Air Radio which is line air maffic control and sit support communications, and Dislom in the United States which is the electronic mail system "

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Amersha

One of the most successful innovations, already attracting world amention, has been the City Business System, a touch screen dealing board for the financial community. Leanched in 1982, the CBS was the first system of its kind in the world It features a television screen which doubles as a data display and touch keyboard. Its tenninal can be used by dealers for accessing company information and for sending and receiving

"CBS has been very successful on the world marker," mid Kembler, "We now have more 10 than 5,000 screens in operation and one new system a week is being installed."

Up to now, the CBS has sold well in Hong Kong, Australia and the United States, Since last October, a Japanese version, specially developed for that marker with Kanji characters for the visual display screen, has been distributed by Mitsui throughout Japan.

"The CBS success led us to develop similar systems for non-financial operations," added Kember.

Such innovations have all been good for British Telecom's international image and for the management. As Kember said: "British Telecom is definitely living in a more exciting time. A lot of commercial drive has been set free, and we have become very newswor-

Kleinwort Benson

has acted as an adviser in the following privatisations

Saint - Gobain December 1986

British Gas November 1986

Cable & Wireless December 1985

British Aerospace May 1985

British Telecom November 1984

Enterprise Oil June 1984

Cable & Wireless November 1983

Associated British Ports February 1983

British Aerospace February 1981

Cable & Wireless

The total value of these offerings was more than £12,500,000,000

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Amersham Makes a Smooth Changeover

One of Britain's most interesting companies to bid for privatization was undoubtedly Amersham, the radioactive isotope supplier which, so to speak, got into the business by accident in the first place.

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Its debut in the field of producing and researching radioactive substances came after consignment of radium ore for luminous paint from the Belgian Congo destined for Germany was intercepted just a year after the declaration of World War II.

At that time, England did not have any radium but certainly have found use for some. So the government commissioned the company Thorium to refine the substance so it could be used for diverse applicarions such as luminous paint. Thorium passed on the task to one of its scientists to find a lab equipped for such a rask The search was fruitless until one night, while consoling himself in a good old English pub in Amersham, the scientist was informed that a good piece of real estate with a house was up for sale right next door. He bought the house, ser-up laboratories and the rest is history, including the Amersham staff who, after 46 years, still pay their visit to the famous pub. the White Lion.

A few years after the end of the war, great progress was made in the field of man-made radioactive products. In 1954, this whole development area became part of the U.K. Atomic Energy Authority and continued what was termed in those days its "peculiar operations." By 1958, it had asked the government to be responsible for manufacturing and marketing all products derived from radioisotopes. By 1964, it had become a self-accounting business operation.

With such an individualistic and strong business perception, it is no wonder that Amersham progressed so well, so quickly. As Burgess, the Chief Executive of Amersham points out: "Amersham has had a consis-

tent theme which has been that regardless of ownership, the opcration was always run as a commercial enterprise. So actually, privatization made no difference for us, as it did for a company like British Gas who were were never run as a commercial venture."

The privarization wave hit

Amersham in 1971 when a bill was issued authorizing the govcomment to sell up to 49% of the company. The government, bowever, wanted to sell off the whole operation, so an Act of Parliament was required. The Act was announced in 1979 and when privatization occurred in February 1982, £71 million of shares pulled in £1.75 billion worth of applications. The first day trading generated £20 million, a blow to the government who had just previously overpriced the Britoil tender, and had now priced Amersham for

From the employees' point of view, Burgess recalled, privatization was initially received as a potential threat to their stable and secure jobs. "The company was successful," he says, "and they were gening good benefits, so they wondered whar privatization had in store for them. At that time there had been only two privatizations and Amersham was the third." Out of the endless discus-

sions between Amersham and the government, emerged the creation of what is now referred to the Golden Share. "While working our a deal for us," said Burgess, "the government was also preparing for the privatization of Britoil During one of our conversations, the topic came up of how they could keep some sort of control over the company, which was a must considering it was such an important resource of energy. So we all all came up with the concept of the Golden Share and it was decided that it would be applied to Amersham also. The Golden Share as applies to many of the privatized companies, is an all-powerful govern-

ment share in a very restricted

cles of the company. It holds no values or dividends, but it can stipulate, for example, that no that the government has "powerful weapons to fight this if 15% and have no voting rights

until then." Dr. Burgess, a young 57 year old, joined Amersham in 1953 as a research chemist directly from University College, London and soon went into the production side. By 1960 he had switched to marketing and was running Amersham's U.S. comconsidered the oddball as far as



Dr. Burgess

the government was concerned," said Burgess. "We were small and yet commercial, so we were always allowed to ger on with the job. As long as the business was successful, there was a hands-off policy."

Although Amersham is known for its radioactive products, in the past few years its business has been shifting into non-radioactive products. "We've gone through a few stages since the late forties," commented Burgess. "At first we dealt with natural radioactivity but then we were obviously limited by the supply of such substances. And as the products become more sophisticated we had to find an alternative mute. Man-made radioactive substances are created through a nuclear reactor and we use two which operate by rate."

sense, which protects the arti-num on a three-week period."

But although radioactive products have been the lifeblood of Amersham, their skills one shall own more than 15% are evolving one step ahead of of the shares. Burgess explained the clients' demands. "We are getting more and more into the chemistry side to research and they suspect someone. They meeting the specialized needs can require him to sell down to of the customers regardless of whether or not they are radioactive," said Burgess. "We make, for example, diagnostic products which we call 'a chemistry set with a recipe.' This involves taking a blood sample and doing a test according to the instructions of our recipe. We'll provide the rube with a subscance and by following the pany. "Amersham was always instructions you can tell if the patient has cancer, is pregnant, or has a problem with the thyroid function."

Previously, nothing as sensitive as radioactivity existed, but Amersham has now come up with a unique technique that is even better. This consists of measuring with light, using signals instead of radio-activity. The advantage is that there is absolutely no radioactive use and the signals can automate the process. It is also more cost effective, quicker, and efficient.

Burgess is the first to recognize that the market is moving towards non-radioactive alternatives. "Amersham reacts to clients' needs," he said, "so we have introduced a new sector of non-radioactivity."

For the past five years, Amersham has experienced a 20% growth rate and is continuously diversifying. In 1986, out of the 120 new products added to its range, three quarters were non-radioactive.

Most of its exports are in Europe, representing half the export figure, with a quarter going to North America, and some in Japan. Amersham holds a strong position in North America with a 15% growth each year representing a 20% return. "We are successful," concludes Burgess, "because our products are first

Kleinwort Handles Big Privatization Moves

How does a merchant bank that owns part of the gold ring. has ship brokerage and substantial banking interests, operates a management advisory service, is involved in capital marketing, corporate finance, in futures and Eurobonds and Eurobonds and has just acquired a stockbroker, find the time to become heavily involved in Britain's privatization process?

Ask Kleinwort. It acted as advisor for British Aerospace, Cable and Wireless, the Association of British Ports and advised the British Government on Enterprise Oil, British Telecom and British Gas. In several of the early privatizations, in fact, it was playing a dual role in advising both the government and the company.

Kleinworr's success can obviously be put to good management. Its success at privatizacion comes from the same spirit of drive and initiative and, for Kleinwort in London, long hours put into achieving such goals. David Clementi, Director, explained: "Privatization is really not much different from corporate financing except for the marketing of the Government shares," If that sounds simple, it real-

y isn't. A merchant bank, like Kleinwort, generally is the first appointed for a privatization candidate. It will be expected to assume the role of coordination. The government will then appoint lawyers and then stockbrokers to advise and handle the institutional marketing of stocks. Highly qualified research teams will be brought in before the government moves on to appoint a public relations company who will handle the

the general public through the production, printing and distrimedia and also take care of the physical design of the prospecrus. A printer has to be chosen who can guarantee a no-flaw service for the abundance of literature required. In such appointments, Kleinwort has to advise the government on what to ask for and what to expect. They also have had to ensure that a good team was put together from the start.

Kleinwort was, so to speak. fossed into the deep end from the start of their association with privatization: the first project they tackled was British Acrospace, which represented a mammoth £150 million issue. After British Telecom and British Gas, that figure today, seems small, but back at the time it was considered huge.

"With British Aerospace, we were really feeling the way," said Clementi. "We were acting for both the government and the company and setting the pattern of operation that we would follow in the future. There were the obvious questions: how do you present such a company? How do you gauge how many people will apply? We learned a lot from our involvement with British Aerospace and we have built up a great deal of experience since

Clementi said that the most difficult aspect of handling a privatization is the actual logistics of the whole operation. British Aerospace, for example, represented over 30,000 applicarions but British Telecom brought in over 2 million. The details of handling the printing, distribution and follow-up

bution of millions of prospecruses - there were seven million for BT, which had to be available at several thousand locations - create quite a mammoth task. And, as Clementi points out, "There is absolutely no room for error or delay. Nothing must go wrong."

مندا من الأجل

In its advisory role to the government, Kleinwort draws from its own pool of expertise to study and evaluate a fourpoint structure leading up to the actual privatization process. It will deal with valuation, the capital structure, the proposed regulatory structure and the marketing procedures.

"In the valuation process, we examine the conceptual issues and the practical aspects," explained Clementi. "It's a process where we will be purting a money value on the sale price of the company.

On the capital structure side, decisions have to be made on how much debt or equity exist if a debt should be restructured. if preferential shares should be offered and the form the structure itself should take.

While Kleinwort is not actually involved in drawing up the regulatory structure generally the government outlines this it is expected to study the outline and to evaluate the impact that it will have. The marketing and structure of the offer will decide how many shares are going to be offered and whether or not the whole company should be sold at once or in a series of tranches.

"If it sold off in tranches explained Clementi, "the government can re-evaluate the val-

presentation to investors and for these applications, plus the uc at each stage and maybe make more money that way. For example, British Telecom sold 51% in one offering and the rest will be sold off

Selling in tranches, however, provides many more complexities. "It requires a great deal of study," said Clementi. "There are several problems to consider. Sometimes investors (in tranche offerings) tend to mark down the price because of the uncertainty. Then there are the Treasury's views on the subject. If the government stake remains greater than 50%, then it can be said that privatization is gerting out of the public sector

- if the government owns more than half, then the company is not really privarized. And, when the government does keep more than half, then the transitional stage is complex. For example, if the public holds 25%, then the government is not a passive shareholder so it would have the freedom to make political decision with its majority of shares"

But sorting out such problems, between all its other activities, has now become a regular task for the Kleinwort privatization team. It has led to Kleinwort advising the Mulaysian government on the possible privatization of its telecommunications and ports sector, advising Saint-Gobain on its recent share issue and discussing other privatization schemes in the U.S., Canada, Scandinavia, the Netherlands, France, Italy

As Clementi concluded. "Our involvement in Britain's privatization has provided us with considerable expertise."

NFC has also moved heavily

NFC Emerges a Winner

Fate couldn't have played a better hand at sorting out the ownership of the National Freight

On the eve of floration, one of the company's largest contracts with British Rail Express Parcels was suddenly cancelled, meaning a loss of £25 million worth of business. It appeared the government's only solution he to sell the conoff to the highest bidder.

However, according to NPC chairman Sir Perar Thomson, "The thought of selling off NFC to the highest buyer really worried the management. We were asser-rich and had acres and acres of unused properties, old warehouse sites, that had good real estate value. We didn't want to see it all go. The only solution was to buy the company from the government ourselves. So, we went to the government and asked how it would feel about us trying to organize a management led buyout

"To succeed, the management had to raise six million pounds. With that kind of money involved, it needed to fire enthusiasm among the entire staff of the lifty companies tied up in the consortium. It also needed to go the rounds with lawyers and banks.

"We found a consortium of banks prepared to put up most of the money for a small amount of shares," said Muriel Craddock, public relations officer, "but it stipulated that the directors of the company must also make personal investments as proof that they would make it work."

The chairman put up £40,000 and then about 100 top-senior management staff were asked if they would consider putting forward £10,000 each to back the bid. All liked the idea, so the next step was to go around the country and talk to the 2,500 managers.

"We put together a roadshow on the scheme," said Craddock, "It travelled around for two weeks and was a resounding success." With the management behind them, the company now had to convince the employees to take a similar position.

"The Chairman is a man with a vision," continued Craddock, "so we wanted him up front, but there were 700 locations to be covered and he couldn't do them all.



NFC transports delicate office equipment.

tion. Then, one Sunday, special telephone lines were installed and the directors manned them to answer any questions that the staff had. Everyone was being offered a £200 interest-free loan to buy their shares and, because we really did not know what kind of feedback we ployees of the new company and those back at NFC are would get from the staff, the same applied to pensioners and offered shares. When it began to tap the U.S. market, and their families. We needed to raise £6 million so it was huge bought its first U.S. company in 1984, for example, over 70 communications problem." percent of the U.S. employees The interest, bowever, eventually led to the company being oversubscribed and it now has 23,000 shareholders in the U.K.

"It wasn't easy going," explained Craddock. "We had to present the prospectus to all the workers from the drivers on through the fitters and the sec-

The verbal tonnage, and the managerial effort paid off and in February 1982, a check enabling the management-led buyout was handed over to the Secretary of State for Transport. Since then, the company has

never looked back. "When pri-

vatization came," explained Sir-

Peter Thomson, "we took a new look at the company. There were plans to be made, like how much should we reinvest into it, what kind of diversification should we go into. Above all, we wanted to watch costs and increase the dividends. You can't really quantify what privarization meant but it did make us more aware of our image. And it ended the constraints we had faced in the government sector. Before the New Zealand, Hong Kong, change, we had been limited on money and had horrendous interest to pay the government. And there was a narrow, blinkered view of what we were Britain, transport and unpack allowed to do."

On the top of the list of the "We made a video with an new company strategy was a accompanying text for distribu- decision to invest overseas in

the related service sector. Their first foreign acquisition was a company in Australia which had been suffering financial losses but has since been turned around into a profitable business. Others followed and with each acquisition, overseas em-

muchased shares "Our long term strategy is to increase our overseas activities," explained Sir Peter. "By 1990, we expect that about 25% of our profits will come from abroad. We are a service industry and we want to ensure that we rid ourselves of business risks and become less dependent on the British economy.

The solution to that is to buy

abroad, but the companies

must have the right criteria,

and must be synergetic with

our companies in management

and areas of business." The strategy seems to be paying off. Since privatization, NFC has been able to invest £100 million a year into the business which more than doubles the government maximum

Diversification and expansion of existing areas of business have gone hand in hand. It has, for example, spread its former British removals nerwork overseas to the U.S., Australia, Singapore and Spain. It is planning to move into a full international network that would pack up all types of objects in them overseas. "We're really into any type of movement of goods by road or people by air"

into distribution which has meant expanding computer systerns to handle the often complex tasks of coordination. It handles all of Marks and Spencers packages products, for example, runs a distribution operation for Sainsbury and is now looking our for companies wanting to sell the distribution side of their business. "We have 70 companies in NFC," said Sir Peter, "and they handle anyming mat moves from dulk distribution of liquid wastes and home removals to contract hire and total distribution."

While the general public is inclined to think of NFC as a transportation company, it does have other interests. It is currently Britain's second largest retail travel operator with 300 shops around the country and it also recently bought the business division of Lunn Poly which runs boxels and conference centers. It has even gotten into car auctions as an offshoot business to its car transportation activities. And it owns Freight Computer Services which provides software to companies at home and abroad. But an unexpected area of business has emerged in property development.

"After the NFC buyout," explained Sir Peter, "the company used some of its own real estate to help in the operating profits. The company had a lot of land with old, unused warehouses. Some were sold off and the others revamped. It created a better working environment. But, having moved into the property business, we thought that we might as well develop a property port-folio. Now, we are Britain's second largest developers of nonfood retail warehousing." If the management have one aim today, it is to keep growing on its own monev. The Chairman added that there may also come a time reinvestment of £45 million a when the company decides to float its shares.

> Meanwhile, the 25,000 employees of NFC are sharing in the consortium's new found fortunes. Sir Peter concluded. "We have a family feeling, a group commitment. We all know about each other and work toward the same goal. Instead of us being the bosses these days, we find that the workers are ours. It's an unusual partnership that works. And we are growing faster than any other compenitor. Maybe we just had that touch of magic."

IN EQUITIES

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Iran, Iraq and America

The fierce upsurge of lighting in the six-year-old war between Iran and Iraq has Iran can win but not lose, Iraq can lose but caught U.S. policy in disarray. The practi-cal and principled position of neutrality, discouraging arms sales to either side, has been wrecked by news of the White House's covert policy, trading arms for hostages and

supplying intelligence to both sides.

The policy of neutrality recognized that the United States could not much influence events in the region. It also pivoted on the sad truth that the Iranian regime would have to bleed itself through war before diplomacy could prove feasible.

Significant quantities of Israeli and U.S. arms have been sold to Iran with apparently no thought of consequences, like a possible Iranian victory. The meddling has made Washington complicit in a remarkably bloody war, inviving the enmity of both sides. How did such misjudgments arise?

The regime of Ruhollah Khomeini is

a police state, a medieval theocracy and a spousor of terrorism. But because in Western eyes the syntoliah belongs so firmly to the past, Washington has persistently misunderstood his present role and the en-ergies he taps in recasting Iranian society. The Carter administration failed to see how the mullahs' mobs could subvert the shah's well equipped army. The Reagan administration is constantly surprised at Iran's resilience on the battlefield.

The Iranians are believed to be so "desperate" for weapons, John Poindexter told President Reagan a year ago, that the pro-vider would be able "to coercively influence near-term events." Aside from the fantastic misreading of Tehran politics, the Iranians were far from desperate; the next month they captured the oil terminal of Faw. As not win. In stretching and probing Iraqi defenses, Iran may in this or a future campaign strike the decisive weak point.

Failure to understand the persistence of the ayatollah's Iran made the White House vulnerable to manipulation by self-serving arms merchants. But the avatollah, the first Iranian ruler in centuries to dely foreign powers rather than accommodate them,

turned out to be doing the manipulating.

Despite the White House's best efforts, the U.S. position in the Gulf war is not a total disaster. Iraq still welcomes U.S. help, and Iran may recognize the need for a counterweight to its predatory neighbor in the north. Iranian politicians refer less often to America as a Great Satan, although perhaps only in puzzlement at finding such extreme naivete in place of devilish duplica-

ty. What should the White House do now? Most important, recognize the merit of inaction. Iran's internal politics cannot be easily manipulated, nor Iraq readily helped. Washington needs to stop meddling and practice the neutrality it preached.

Second, prepare for the possibility of an

Iranian victory, even the establishment of another fundamentalist Shiite state in Iraq. Should that be tolerated, or prevented at all costs? If the latter, how?

Finally, search out diplomatic opportunities, like a deal at the United Nations to ceasure Iraq for starting the war, in return for an Iranian cease-fire. That probably would not deflect the Iranians from their demand that Saddam Hussein go, but it might reinject a diplomatic resolution to a erous, destructive, endless war.

- THE NEW YORK TIMES.

What Is the SDI Policy?

In Geneva, American and Soviet negotiators are trying to work out a strategic arms control agreement, but the battle that counts is being waged back in Washington. It is the infighting over the terms on which to deploy President Reagan's Strategic De-fense Initiative for a space-based defense against missile attack.

At the Reykjavik summit the president offered to forgo SDI deployment for 10 years, other issues being settled. This troubled some arms controllers who felt that he was still making unreasonably broad demands for interim research. Their misgivings were as nothing, however, to the deep dismay of those on the other side of the argument who feit that by agreeing to defer deployment of the SDI he was consigning the program to a limbo of endless research. They have been lobbying fiercely ever since

to put deployment on an active track.
This effort is getting actions. It is not just advocates outside the Reagan administration who endorse early deployment but, now, leading figures inside. Secretary of Defense Caspar Weinberger is suggesting a quickened run at development of one part

deployment to begin perhaps early in the next administration. Attorney General Ed-win Meese, who sits on the National Security Council, urges prompt deployment of a first SDI stage "so it will be in place and not tampered with by future administrations." They and others are pressing hard and publicly against the relatively more measured State Department formulations that the

president accepted at Reykjavik.

Does the administration hold with that
Reykjavik formulation? Is it still in favor of the 10-year deferral that Ronald Reagan proposed to Mikhail Gorbachev in Octo-ber? Or is it moving toward a reversal, with all the international and political turbulence that would bring? Or is this simply one more case of the characteristic evolution of Mr. Reagan's strategic policy? One day the White House striches up a position out of the unreconciled proposals of his different advisers and the next day whichever of them loses sets out to overturn it. This time, however, the question is crucial. What is the policy on deploying the SDI?

THE WASHINGTON POST.

After a Visit to Africa

On his long-overdue visit to Africa, what George Simitz has prescribed for the trou-bled continent is more private enterprise and more local initiative. That is good advice, but Africa's troubles and America's interests there require more. Apart from a discordant note on human rights, the trip was a welcome undertaking especially if the administration is now ready to add substance to this new message.

The continent with the world's fastest population growth, Africa has in recent years been transformed from a net exporter of agricultural products into a net importer. Fluctuating world commodity prices have brought growing debt and shrinking revenues. The cycle of drought and famine and

emergency relief has grown cruelly familiar.

These croshing problems have African leaders groping for solutions. Increasingly, as seen for example in the United Nations special session on Africa last May, their answers square with Mr. Shultz's emphasis on a free market and local initiative. Africa's leaders have been selling off state enterprises and emphasizing management training, commerce and agricultural research. But encouraging economic growth and cut-ting public spending will be of limited use without better commodity prices, manageable debt terms and foreign sid. U.S. aid to the region has declined from more than \$1 billion in 1985 to \$664 million this year. Mr. Shultz picked ax especially friendly nations to visit: Liberia, Senegal, Kenya, Cameroon, Nigeria and Ivory Coast. Even so, he heard some unhappy messages. Black Africa has been far lower on Ronald Reagan's priority list than on Jimmy Carter's, with the exception of troubled southern Africa. The Reagan policy of constructive engagement never played well in the rest of the continent. And in Liberia, Mr. Shultz's claims of democratic gains under President Samuel Doe perplexed and offended the

Doe regime's victims and critics.

Mr. Shultz's trip, the first by a Reagan secretary of state south of the Sahara, showed Africans that they finally have the administration's attention. Initiatives toward the free market demonstrate that Africans have been listening to the administration. The only way to sustain the momentum is to begin practical efforts together in one or two areas - debt management and food aid, say - and start accomplishing something concrete, Otherwise the Shultz visit will follow similar high-level American trips into the footnotes of history. - THE NEW YORK TIMES.

Other Comment

AIDS: It's Prudent to Panic

I am not a doctor. I leave to scientists judgments about the potential spread of AIDS in the general population. Their judg-ments are in, and virtually none now doubts that AIDS spreads quite efficiently through ordinary heterosexual intercourse. Nobel laureate Dr. David Baltimore and Dr. Sheldon Wolff, co-chairmen of a six-month AIDS study for the U.S. National Academy of Sciences, concluded: "We are convinced significant heterosexual spread of the AIDS virus is occurring now in the U.S." That should not be surprising, since it already has occurred in Africa and Haiti.

The realization of sexual tolerance on a mass scale was a major cultural achievement that, like cheap gas, we will not miss

until it disappears. Along with most of my post-World-War-II generation, I both sub-scribed to this liberated ethic and tried to take advantage of it. For homosexuals, of course, the revolution was even more dra-

matic, as was the subsequent promiscuity. Today none of us wants to admit that we made a mistake, that this wonderful experiment was an epic social blunder, even as it becomes painfully clear that the venerable, inane prejudices against free sex had an

ulterior hygienic function. Perhaps once the AIDS crisis has passed it will be possible to rebuild a modestly promiscuous culture. I hope so. But for now the responsible course is irresponsible. The course of prudence is to panic.

Mickey Kaus, a correspondent for The New Republic, writing in The Washington Post.

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OPINION



There Is Much Unfinished Business on King's Day

WASHINGTON — Today, Jan. 19, the United States for the second time commemorates the late Martin Lather King Jr. with a national holiday. On Oct. 26, 1960, Mr. King was traveling in Georgia in leg irons and handcuffs. Then 31, he had been imprisoned in an Atlanta jail on charges of breaking an anti-trespass law. He and 35 others, all black but one, had refused to leave Rich's Res-

taurant after waiters refused service. After a week in two country jails, he was hauled to the state prison at Reidsville. A judge had sentenced him to four months because the sit-in errest violated terms of probation in posed the month before on a traffic

By Colman McCarthy

charge. Mr. King was unshackled and given the blue and white prison uniform common to Georgia convicts.

Although he would be released on bond after a day, he wrote to his wife that the jail traumu. "is the cross that we must bear for the freedom of our people." The religious metaphor provides the title of a new biography, the most exhaustive yet — "Bearing the Cross: Martin Luther King Jr. and the Southern Christian Leadership Conference." The author is David J. Garrow, a political science professor at the City College of New York.

Memphis, Mr. King was advancing mcreasingly radical economic views:
"Something is wrong with capitalism
as it now stands in the United States.
We are not interested in being integrated into this value structure. Power must be relocated, a radical redistribution of power must take place."

He had been on too many marches and made too many trips to Washington to believe that a "property-centered and profit-centered" system would yield voluntarily. "We must formulate a program, and we must fashion the new tactics which do not count on government

Nonviolence Was King's Chosen Tactic for Achieving Justice

In the years before his murder in

ATLANTA — In 1935 a group of black leaders invited Mahatma Gandhi to come to America to assist their struggle for equality. Gandhi politely declined, replying, "How I wish I could, but I must make good the message here before I bring it to you ... It may be that through the American Negro the unadulterated message of nonviolence will be deliv-

ered to the world." By the time I first met him in Boston in 1951, Martin Luther King Jr. had already become interested in nonviolence. He was doing graduate work at Boston University. In addi-tion to the classical thinkers, he had studied Kant, Hegel and Nictzsche, whose "will to power" he found disturbing. The black church was the decisive influence in the formation of his religion, but he was much interested in the work of modern theologians such as Paul Tillich, Reinhold Niebuhr and Walter Rauschenbusch, whose "Christianity and the Social Crisis" left an indelible impression.

He had read Karl Marx, whose atheism and ethical relativism he rejected, while accepting his point that private enterprise is too often raps-cious and exploitive. "Under commu-

W President Reagan will deliv-er his seventh annual State of the

Union message. He will address the 100th Congress of the United States at the beginning of the 200th anniversary of the Constitution.

Cappy Weinberger says we are living through a "really remarkable American renaissance," but some folks in Washington think the state

They point to the record budget

and trade deficits, to the foreign

policy and Wall Street scandals, to the nuclear arms race and to the

gaps between the rich and the poor.

They are wondering out loud if something is not seriously wrong with the "the system," and suggesting that it should be changed. Some would put presidents in for six years instead of four; others would put presidents in for six years instead of four; others would be in the state of the stat

would make it easier to recall dubs

from the White House and keep

better tabs on their health; others

want a national primary to nomi-

nate presidents, or constitutional amendments to balance the budget

Here I proclaim myself a certi-

fied stick-in-the-mud. I cannot re-

member a time when so many al-

luring reforms were floating down

the Potomac, some of them worth

considering, or a worse time to

consider them seriously. The capi-tal is in a flighty and distracted

mood, divided, leaderless and in no shape to edit the founding fathers.

Besides, all this present uproar between the White House and

Congress over sneaking guns to

Iran and the Nicaraguan contras does not prove that "the system"

has broken down but that it is still

working, still exposing and correct-ing error, and still staggering along

It is not "the system" that is

wrong but some of the people who

have been evading and corrupting

it. Oliver North, with or without

higher authority — we still don't know which — regarded Congress

after two centuries.

and stamp out abortion.

of the Union is not so hot.

By Coretta Scott King nism, the individual soul is shackled by the chains of conformity," Martin later said in his sermon "How Should a Christian View Communism?" He

continued: "In spite of its glowing talk about the welfare of the messes, "We have a right to march without being beaten up." — Coretta Scott King, widow of Martin Luther King Jr., speaking after a white crown attacked a "walk for brotherhood" Saturday in Alabassa, Page 3.

communism's methods and philosophy strip man of his dignity and worth, leaving him as little more than a depersonalized cog in the ever turning wheel of the state."

At Atlanta's Morehouse Colle he had read Thoreau's "Essay on Civil Disobedience" several times. He was stimulated by Thoreau's "refusal to cooperate with an evil system," but he did not yet see how it could be applied to challenge racism.

The turning point in his thinking came on a Sunday afternoon in 1949,

inulated. "The system" did not

It did not, of course, tell how to

handle the Russians, or compete

with the Japanese, or preserve America's cities, or elect the most

qualified men and women to pub-lic office, or educate our children.

In fact, it assumed human stupid-ity, ambition, greed and religious fanaticism, and merely suggested a few rules to hold things together.

It was defiance of the princip

of "accountability" that led to the mistakes at the Reykjavik summit

and the Iran-contra scandals, And

all these investigations are not de-

signed merely to rake over the past but to restore the principle of "ac-

In this sense, the state of the

president is sad if not had, but the

State of the Union is good, or any-

way fairly good. Cappy has stars in his eyes as usual about a new re-

naissance, free of nuclear weapon

and defended by shields in onter

space, but "the system" is keeping these dreams in balance.

"counterrevolution" against the New Deal or the Great Society, but

merely a useful correction. The

public purposes of the Democratic

glory days went too far along the

lines of the welfare state and had to

be amended, but they were not destroyed. So the ideology of the

supply-siders with their emphasis

on private gain is being tugged back to the middle.

Everywhere in the world, the at-

tempts to make human life con-

form to some sharp ideology have

failed. Communism, socialism, free market capitalism are all in the

process of adjustment to the reali-

ties. It is an awkward, painful pro-

cess, but the answer to democra-

cy's problems is not less democracy

but more, and not less accountabil

ity but more, and not more con-

frontation but more cooperation.

The New York Times.

There has not been a Reagan

let us down, it saved us.

The 'System' Will Survive

The Sad State of Reagan

By James Reston

WASHINGTON—On Jan, 27 as a misance to be avoided and

when he attended a lecture on the nouviolent movement in India by Professor Mordecai Johnson of Howard University. Martin wrote in his first book, "Stride Toward Free-dom": "Dr. Johnson had just returned from India, and to my great interest he spoke of the life and teach-ings of Mahatma Gandhi. His message was so profound and electrifying that I left the meeting and bought a half-dezen books on Gandhi's life and works." It was "in this Gandhian emphasis on love and nonviolence that I discovered the method for so-cial reform that I had been seeking." When looking back at the 1955 Montgomery, Alabama, bus boycott, ich Ismoched his career as a civil

rights leader, Martin wrote of the movement's philosophical origins, "Christ furnished the spirit, and Gundhi furnished the method." Martin Lather King Jr.'s pilgrimage to nonviolence provided the key
to the success of his leadership. As
America celebrates the second national holiday commemorating his
birthday, it also celebrates the triumph of nonviolence as a method for
sechianing intrins.

ving justice, equality and peace. © 1987 Coretta Scott King.

good will, but instead serve to compel unwilling authorities to yield to the mandates of justice."

In the last year of his life he suffared depression because he saw so few structural changes. When he went to Memphis in April 1968, he and the SCLC were trying to organize massive nouviolence that might include a "nationwide city-paralyzing demonstration" centered in Washington. Mr. King argued that "non-violent protest must now mature to a violent protest must now mature to a new level ... massive civil disobedience ... There must be more than a statement to the larger society, there must be a force that interrupts

its functioning at some key point."

Much of the American media had had it with Mr. King. His call for fracturing the routine order of the nation's capital prompted The Washington Post to label it "an appeal to anarchy." The New York Times said that the Washington protest would be "counterproductive."

Mr. King pressed on with a strate-y for mass civil disobedience, even gy for mess civil disobetience, even "if it means tying up the country." Demonstrators would be the "underclass that is locked out of the econo-

class that is locked out of the economy, people for whom a spring in jail in Washington is heaven compared to a spring of hunger and unemployment in Mississippi or Chicago.

Mr. Garrow, a scrapalous biographer, details the despair that Mr. King often felt in trying to keep his followers from bolting. "I know I'm going to stay nonviolent no matter what happens, but a lot of people are getting hurt and bitter, and they can't see it that way anymore."

He was tormented with doubts that he had done enough to change America's mind about race; "There aren't enough white persons in our country who are willing to cherish demogratic principles over privilege." To portray him as a successful civil rights leader is to forget the failures of his work. to restricture America's power, eco-nomy and addiction to violence. Washington Post Writers Group.

THE Howard Beach incident on Dec. 20 - the beating and chase-to-the-

death of a black man and the beating of his two companions by white youths from that New York neighborhood—is a reminder of the split in the historic base of the Democratic Party between working class whites and poor blacks. From Richard Nixon's "Southern strategy" to Ronald Reagan's talks

of "welfare queens," Republicans have wrung political profit from the white backlash. Now the deficit means that the kinds of social programs that might help the races to find common ground — national health insurance, quality

education for all, more police protection — are off the agenda, probably for the rest of the century. Until the Democratic Party finds its historic voice, we

Symptomatic Crime Will Continue

Tugging On A Trio of **Loose Ends** By Jim Hoagland

PARIS - The unending revela-I tions of Iran-contra-Brunei-Isra-el-gate suggest that the Reagan administration has run its diplomacy and national security planning on the principles of the junk bond market. By whatever name, this exercise turns out to have been a field day for policy salesmen and middlemen out to acquire real assets today on the cheap in return for promises of a bigger payoff down the road for everybody else.

You get the feeling that you could pull on the loose ends dangling from this story until the cows come home and still not exhaust the puzzle's intricacies. Three loose ends for tug-

tricacies. Three loose ends for tugging on this snowy Paris day:

The too-good-to-check syndrome:

An inside joke at The Washington Post's daily page-one story conference involves particularly juicy but not terribly consequential stories.

"It's too good to check," a senior editor will joke — communicating to the originating editor that the story sounds good but fragile, and must be checked within an inch of its life.

In Israel's original version of how

In Israel's original version of how it came to be involved in this mess, officials told Israeli newsmen that officials told Israeli newsmen that
Michael Ledeen, a consultant to the
U.S. National Security Council, had,
asked for their help in getting the
hostages out, and that they immediately turned their hand to helping out
their friend Mike and Uncle Sam.

Under the pressure of disclosures in Washington, former Prime Minisin Washington, former Frime Minister Shimon Peres now says that the Iaraelis subsequently checked with "higher authority" in Washington. Early on, I asked a British Iriend who knows how Margaret Thatcher's mind works if British would have

undertaken such a mission. "Only if undertaken such a mission. "Only if
the request came directly to her from
the president, and only if it were fully
explained by him," my friend answered. "The damage that could be
done to the relationship in the event
of disclosure would have been too
severe for her to do otherwise."

My guess is that Mr. Peres is leveling. Knowing Mr. Ledeen's role, the
Israelis would have sought clearance
from Vice President George Bush. if a

from Vice President George Bush, if, not from Mr. Reagan himself, before proceeding. Mr. Bush, a former CIA director and United Nations ambassador, would have been the logical candidate to oversee this and many of the other covert operations that were run out of the White House.

His role continues to be the most tantalizing loose end.

The Saudi connection:

This year's Christmas card, the 11th annual reminder from Adnan Khashoggi of the one time we met, arrived a few days late. Adman proba-bly has a lot of other things on his mind at the moment.

Back in 1975, he was busily protecting two Sandi generals by claiming that he had solicited a bribe in their name but had actually pocketed the money himself. It is worth asking what he brought to this deal. One thing was familiarity with CIA involvement in arms transfers. Probably more important was an aura of official Sandi participation that could be as easily denied, if neces-

sary, as was the relaying of a bribe.
It is possible that there are backers for Mr. Khashoggi in Saudi Arabia who hoped to use the deal to take out separate secret insurance policies with Saudi Arabia's two proclaimed enemies, Iran and Israel, and to ingratiate the kingdom with a singular-ly unhelpful U.S. administration. Mr. Khashoggi would be deniable in fail-ure, claimable in success. The Brunei connection

George Shultz says he has no idea what happened to the \$10 million that he got the sultan of Brunei to cough up for the contras. It seems to have gone into the North-Casey Geneva Charity for Needy Guerrillas of the World, then to have disappeared. The sultan's previously unknown

interest in Central America need not detain us. What may be of more import is his known interest in the Cam-bodian resistance groups fighting the Vietnamese. If \$10 million would help keep Washington involved in Southeast Asia's most vital conflict, it would have been an easy investment for the sultan - particularly if part of it came back to the Cambodians

through the CIA sinsh fund.
That is the problem with loose ends. Look at them long enough and you see the craziest patterns beginning to form. You could even start telling yourself that the fact that a former White House official had significant financial dealings with Bru-nei, Sandi Arabia and South Korea (which has been particularly active in selling arms to Iran) at the time all this was all being put together could be important. Crazy, non? The Washington Post.

- Jack Beatty, an editor at The Atlantic, in The New York Times. Stereotyping, Discrimination, Violence

will not see the last of symptomatic crime like Howard Beach,

T HE justifiable fear and resentment of blacks against the bigotry of significant numbers of whites should be understood and understood sympathetically. The fear of crime is also understandable, and the fear of sympathetically. The fear of crime is also understandable, and use real or black crime has some basis in truth. But none of these fears, among either blacks or whites, justify stereotyping, discrimination or violence.

— Edward I. Koch, mayor of New York City, in The New York Times.

Howard Beach Started 200 Years Ago

MERICA was racist even before the Constitution sanctioned slavery 200 A MERICA was rainst even before the Constitution sanchoned savery AU years ago. At best it gets strong anti-racist leadership from politicisms by fits and starts. Racism has been explicitly supported, and at other times sanctioned by winks and by nods. People's lives are horribly strated when they are desied adequate education, decent jobs, suitable housing and a sustaining hope. The need is for national and local leaders who fight those evils daily, not posturers who don't raise their voices until somebody has been killed for being lost and lonely in the wrong neighborhood.

- Roger Wilkins, in The New York Times.

LETTER

Andreotti as Dupe?

Of the many unusual images currently emanating from the Reagan White House, pechaps the most curi-ous is the vision presented of Giulic Andreotti as a victim of William Wilson's deception. The idea seems to be that the former U.S. ambassador to the Holy See bamboozied Italy's current foreign minister (and, in the past, five-time prime minister) into believing that Mr. Wilson had been anthorized by the U.S. government to confer in November 1985 with Moammar Gadhafi of Libya, when in truth he was not Mr. Andreotti is probably the most experienced diplomatic wheeler and dealer this side of the Iron Curtain, with an unmatched range of contacts. He is not known for a lack of mental acuity or guile.

Mr. Wilson, on the other hand ...

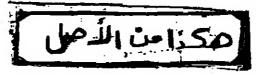
RICHARD HELLER

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Frozen Kingdom 1937: Philippines Policy

are shivering as the result of the cold and the mowstorm, which have been ing and football were all stopped.

LONDON — Great Britain is snow-bound. While London escaped the heavy snowstorn which has blocked trains, wrecked telegraph lines and tied up traffic, many other parts of the kingdom and their inhabitants. the kingdom and their inhabitants of the United States Army, President Manuel Quezon said [on Jan. 18]: "We aim to insure the safety of the prevailing for 48 hours. There are fierce gales, amounting to a hurricane in some places. London is practically isolated, as all wires to the Continent, except one for the public, and this to rely on their own resources of working with nine hours delay, are down. Some parts of England are from six to ten feet deep in snow. Reports show that scores of lives halt us." Allegations that the selection of General MacArthur as his at a standstill in Birmingham, Shef-Chief of Staff indicates the existence Chief of Staff indicates the existence field, Leicester, Bristol, Cardiff and of a plan to give the United States a Bath. Terrific storms are reported in Scotland and Ireland. Racing, hunt-the event of war against Japan weredemed by President Quezon.



Page 9

PERSONALINVESTING

FOCUS

Dollar Fallout Leaves Goldbugs Disappointed

HE DISAPPOINTMENT was almost palpable. In gold dealing rooms around the world last week, traders were expressing frustration at gold's laggard response to the turnoil in the currency markets. Although it had easily rebounded over the \$400 mark at the end of December and continued to make ground as the dollar slid, the price gains fell for short of expectations.

gains fell far short of expectations.

In fact, last Wednesday, when the dollar's drop suddenly accelerated amid reports that the Reagan administration wants the U.S. currency to fall further, gold managed only a \$6.90 an ounce gain in New York. Some analysts had expected double that

"The market was certainly more active," says Frederic S. Bogart, a senior vice president and gold trader at Republic national Bank in New York. "But I can't characterize it as solid business all day, because there was "

cause there wasn't."

Indeed, much to the dismay of goldbugs, prices have moved upward at roughly the same pace as the dollar has declined. This is somewhat puzzling since gold, traditionally viewed as an alternative investment to the dollar, is considered more volatile. Thus, gold prices should be expected to swing wider than than the dollar's value on currency markets.

ADDING TO THE CONFUSION is the apparent equanimity with which the gold market has greeted OPEC's recent price accord. Although oil prices have firmed in repsonse to the agreement, it has not produced any widespread infla-

There are a number of factors blunting the current rally. A paramount problem in the minds of many observers is the lingering doubts about gold. Many investors were disappointed last year when gold broke through the "psychological" barrier of \$400 last September, climbed to \$443 in October, and then

proceeded to give up many of its gains.

In retrospect, a number of observers blame unrealistic expectations about supply and demand for the ill-fated rally. Platinum which ignited the surge in precious metals prices touched \$672 an ounce last Sept. 5 on fears that the unrest in South Africa would jeopardize the world's largest source for the metal. That did not come to past.

OREOVER, major gold producers, like the Soviet Union, are thought to have stepped up sales as prices became more attractive. "In the end, production tempered the buying," says Paul Cain, a precious metals analyst with Shearson Lehman Brothers.

Another development that has detracted from gold's appeal has been the resurgence of interest in U.S. stocks now that the Dow Jones Industrial average has vanited over the 2,000 level. "A lot of people still believe the big plays are in financial assets," notes James Kneafsey, president of Cambridge Commodities Corp. in Massachusetts.

Despite such constraints, the market is far from bearish. Despite periodic corrections, prices appear firm. And if the dollar remains weak, many analysts say gold could once again climb above \$440 in the near term, possibly higher by the end of the year. "Nobody is unhappy with gold," says Mr. Kneafsey, who thinks \$362 to \$443 msy be a fair trading range. "But you can see how a bull might be quite disappointed."

John Meel

UPDATE

U.S. Voting Debate: The Latest Chapter



HE NEW YORK
stock exchange's
controversial proposal to loosen its oneshare, one-vote rule has
received a boost from a
Securities and Exchange
Commission study showing that stock prices
change little when companies issue common shares
with limited voting rights.
In study that has yet to
be released, Annette Poul-

John Shad be released, Amette Poulsen, acting chief economist for the SEC, said agency staffers examined about 65 companies that issued common shares with unequal voting rights and found "no significant impact on stock price." Megan Partch, a professor of finance at the University of Oregon, reached a similar conclusion in a separate study. "It seems that investors aren't bothered by a change in voting rights,"

Ms. Partch surmises.

The Big Board, bowing to strong pressure from corporate America, is seeking SEC permission to allow companies to adopt dual-class common as long as majority of shareholders and outside directors agree. The American Stock Exchange and the burgeoning over-the-counter market already permit the

practice.

Companies eager to avoid a hostile takeover sometimes issue high-yielding stock with little or no voting power in exchange for outstanding shares. Ms. Poulsen said the SEC study suggests that investors may believe that higher dividends and other inducements

attached to the non-voting stock offsets any danger posed by relinquishing control.

But such theories do little to silence critics. Robert Monks, president of Institutional Shareholders' Services, argues that price studies are misleading because many companies that have issued dual class already had a high degree of power concentrated in

management. Furthermore, he said, inducements to accept voteless stock are "fundamentally coercive."

In public hearings last month, SEC Chairman John Shad suggested that he favored a compromise to the NYSE plan, possibly requiring a uniform standard among all exchanges. "I would suspect that is the way it will go," Ms. Poulen says. An SEC spokeswoman said the commission likely will act on the proposal sometime in the first quarter of this

Phil Roosevelt

Cashing In on Europe's Denationalizations

The sell-offs will continue in 1987, bringing some big names to market.

By Lynne Curry

T WAS DUBBED the perfect deal, and many investors found it hard to pass up. By the end of a weeklong public offering that followed an elaborate £41-million marketing campaign by the Thatcher government, more than 4 million individual investors had signed up to boy stock in British Gas under the most ambitious privatization plan ever undertaken.

Thanks in part to a three-step payment plan that required an initial outlay of only 50 pence (about 75 U.S. cents) a share for the state-owned gas utility, the £5.65 billion offering was easily oversubscribed. And despite some groumblings that there should have been a bigger response. British Gas had already climbed to 67 pence by the time it began officially trading Dec. 8 on the London Stock Exchange.

"It was a chance of making a little bit of money," recalls Eric Russell, a 41-year-old telecommunications superviser in London, who was lucky enough to get 350 shares at the offering price. He sold his stake when it hit 62.5 pence.

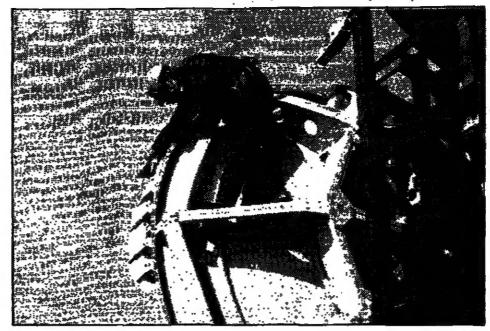
The success of the British Gas offering and equally

The success of the British Gas offering and equally enthusiatic market response last month to the French government's sale of Saint Gobein, the industrial glass and engineering group, indicate the kind of interest that privatization is generating in the investment community.

Ever since British Telecom was sold to the public in 1984, investors have been waiting eagerly for governments to sell off other state assets in the hopes of finding a similar bargain. The successful sale of the telephone utility is generally viewed as a watershed in the process of privatization because of the scale of offering and the interest it generated. At the same time, its share price has quadrupled since it was offered. This year promises the heaviest schedule of privatizations to date. No fewer than 11 major industrialized countries are planning to sell off all or part of their interest in state-owned concerns, though the pace of the offerines is still unclear in many cases. These range

This year promises the heaviest schedule of privatizations to date. No fewer than 11 major industrialized countries are planning to sell off all or part of their interest in state-owned concerns, though the pace of the offerings is still unclear in many cases. These range from Iberia airlines in Spain to Japan's Nippon Telegraph & Telephone. Even in the United States, where public ownership has traditionally played a relatively minor role in the economy, the government intends to sell off almost \$8 billion worth of assets, including its stake in the troubled national railroad, Courail. Not surprisingly, much of the investor interest bas focused on Britain and France, which have put forth

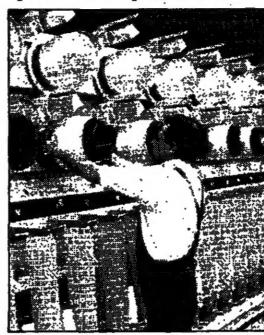
(Continued on Page 10)



TELECOMMUNICATIONS
British Telecom shares have quadrupled since it went public in 1984.



FINANCE
Paribas will test investors'
appetite for French banks.



MANUFACTURING
"A St. Gobain fiber plant. Its offering was major success for the government.

FOR SALE IN '87

Paribas

The firth-largest French bank in assets and a strong player in domestic and international capital markets. Paribas sale will set the tone for the planned denationalization of Credit Commercial de France. Twenty-five percent of the capital has traded on the Bourse as nonvoting stock Of the voting stock held by the government half will be sold to the French public and the rest to French institutions, foreigners and bank employes.

CG

Compagnie Generale d'Electricite has been designated as the next French industrial group to be sold off, possibly as early as May CGE recently paid S577 million for 55.6 percent of a joint venture with LTT. The venture ranks as the second-largest telecommunications group after AT&T Analysis believe CGE profit rose 15 to 20 percent in 1986 from 1985 s 1 2 billion francs.

TF1

TF1. France s biggest television network, may also be on the block in the first half. Only 40 percent is expected to be sold publicly, with 50 percent to be placed with one or two big conglomerates. Overstaffing was blamed by many observers for TF1 s 176-milkon-franc loss in 1985, but it may have broken even in 1986. The sale could bring up to 5 billion francs.

British Airways

After years of delay. British Airways goes to the market next month. fetching just under £1 billion by some estimates. The prospectus says the airline's pretax profit could fall 20 percent to £145 million in the year ending March 13, but analysts expect a better showing in fiscal 1988. Given the volatility of the airline business, the issue has been priched to big investors. Expected price is 120 to 135 pence a share. (About 20 percent of the offer will be sold abroad).

British Airports Authority

British Airports Authority owns Heathrow, Gatwick, and several other airports in Britain Deriving most of its revenue from landing fees and duty-free sales, analysts call it a steady, if slow-growing business. A potential constraint is the difficulty of enlarging its London-area terminals (The other could fetch from £600 million to £1 billion.) Estimated share price: £1

Rolls Royce

This maker of aircraft engines has always had strong military orders but is beginning to cash in on its development of engines for crivil aircraft, analysis say Pretax profit nearly tripled in 1985 to £81 million. Estimates of its sale value range from £500 million to £1 billion.

FUNDS

A New Set of Sophisticated Funds

Their bag of tricks includes index arbitrage and portfolio insurance.

By Phil Roosevelt

ISCOURAGED by program trading? Overwhelmed by those big institutions and their jazzy computers? Don't despair. The U.S. mutual fund industry, which has long portrayed itself as a haven for "the little guy," is serving up some funds that plan to use the same computerized techniques employed by Wall Street's most sophisticated investors.

Already, at least two mutual funds are using

phisticated investors.

Already, at least two annual funds are using "portfolio insurance," a computerized hedging strategy involving stock-index futures. And another fund still in the works is planning to couple insurance with the most prominent form of program trading, stock-index arbitrage.

other fund shift in the works is planning to couple insurance with the most prominent form of program trading, stock-index arbitrage.

Just how well this emerging breed of fund will perform is still anyone's guess. For now, however, the funds are at least winning some high marks for effort. "I think anything that gives investors more choice is beneficial," says Joseph Grundlest, a member of the Securities and Exchange Commission.

change Commission.

In the past, most individuals had little opportunity to participate in program trading. Index arbitrage, a method of profiting on price disparities between stocks and futures contracts, requires elaborate computers, anywhere from \$5 million to \$25 million in capital and a team of talented technicians. Portfolio insurance, though less demanding in its capital prerequisites, still calls for constant attention and a solid graps of hedging theory.

grasp of hedging theory.

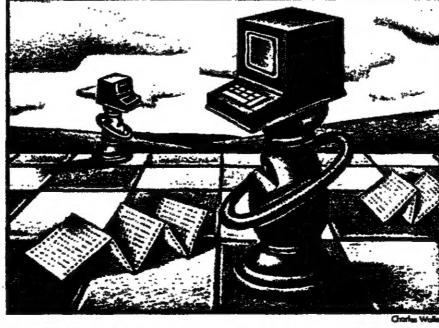
Now, the admission price is falling. With a minimum investment of \$2,500, for example, individuals can take part in Strategic Investing, a new mutual fund offered by Dreyfus Corp.

The \$18-million fund backs up its selection of blue-chip stocks with an insurance strategy, hints it may try stock-index arbitrage and boasts an array of other techniques, including selling stocks short in falling markets and buying issues with borrowed money to leverage its portfolio

during rallies.

Dreyfus maintains that all this gives the fund "the flexibility to make money in almost any kind of market." And, in the first seven weeks after the fund's launch, net assets rose by 3 percent, compared to a 2 percent climb by the Standard & Poor's 500 index.

Tax changes in the United States are partly responsible for the creation of such funds. Michael Lipper, president of Lipper Analytical Services, says a tax provision that had discouraged mutual funds from deriving more than 30



percent of their income from short-term investments was amended to exempt income carned

from "hedging."

But Mr. Lipper also suggests that fund managers sniffed an attractive marketing opportunity in program trading. "There is a consumer market intrigued by this kind of thing because of press reports saying, rightly or wrongly, that programs make stocks go up and down." He adds, "I imagine there will be more funds following if these ones prove successful either from

a marketing or an investing standpoint."

For investors, the main task is to examine how the techniques work and what they can—and cannot—accomplish for the funds.

ORTFOLIO INSURANCE, the most common program strategy among the new funds, started to gain favor among institutional investors about two years ago, following the development of the stock-index futures market. The strategy calls for assembling a portfolio that moves in step with a major stock index, and then reducing the risk through systematic use of futures contracts based on the index.

"You end up participating pretty well when the market is rising, and you can sleep at night when the market is falling," asserts Girish Reddy, a senior vice president at Leland O'Brien Rubenstein Associates, a money management firm and a leading practitioner of the strategy.

Over periods of five years of more, Mr. Reddy concedes, an insured stock portfolio will probably lag an uninsured counterpart because of hedging expenses. He adds, however, that an insured stock portfolio will generally outperform financial assets invested the convential way: 60 percent in equity, the rest in moneymarket instruments. "Many investors are hedging inefficiently." Mr. Reddy argues.

Portfolio insurance is central to the Equity-Guard Stock Fund, a \$20-million closed-end fund that started trading on the American Stock Exchange last August. It is managed jointly by RepublicBank of Dallas and Skye Investment Advisors Inc.

The fund has about 40 stocks in a range of industries, yet the portfolio closely tracks the movements of the S&P 500. After an initial hedge is established, computers trigger the sale of futures as soon as the index drops by two or three percent. With any further decline in stocks, the future at a lower price, thus reaping a profit to offset equity losses.

"If you set the trading threshold much lower than 2 percent, the amount of extra safety you get is negligable, and the trading costs burt you," says Paul McEntire, president of Skye.

EquiryGuard officials maintain that their approach should result in annual returns of no less than zero in a bear market. In a bull year, they say, hedging expenses are likely to drag returns two to six percentage points below those of the S&P 500. From the fund's start in August through December, net assets rose 1.09 percent, while the S&P 500 fell by 3.21 percent.

"We envision this appealing to a risk-averaindividual who wants to earn more than he would in a money market fund," says Edward Anderson, chief investment officer at Rebublic-Bank.

For investors who want more excitement, Kidder, Peabody & Co. might have an answer. In a filing with the SEC, the firm has proposed a fund that would assemble a portfolio mirroring the S&P 500, back it up with computerized insurance efforts, and also use a form of stockindex arbitrage.

According to the filing, the fund stary swap



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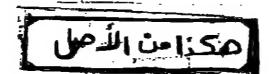
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EUROPE • SOUTH AMERICA • CENTRAL AMERICA • CARIBBEAN • MIDDLE EAST • ASIA

Cashing In on Europe's Denationalizations

the most extensive plans for privarization. It has been a key compopent in the conservative agenda pursued by government of Prime Minister Margaret Thatcher since coming to power in 1979. So far more than £7 billion in state assets have been returned to the private sector. Aside from British Telecom, Jaguar, Britoil and Cable & Wireless have been among the more well-known companies to be

In the next three fiscal years, the official plan is to sell off £5 billion worth of assets a year, and the government continues to widen the range of targets for privarization. Those expected this year in-clude British Airways, Briish Airports Authority and Rolls Royce.

In France, the privatization program began last March with the triumph of conservative parties in legislative elections. Prime Minister Jacques Chirac has promised to sell off 65 companies, worth between 200 and 300 billion francs, over the next five or six years, reversing the 1982 program of nationalizations that followed the election of Socialist President

The list of assets includes such companies as Compagnie Financière de Paribas, Assurance Genérale de France, Crédit Commercial de France and Compagnie Générale d'Electricité, TF1, France's biggest and oldest televi-son network, and Agence Havas, a

Economic and political factors have spurred the rush toward privalization. Faced with growing budget pressures because of slow economic growth and rising unemvatization as a way of maintaining spending levels without borrowing or raising taxes. "It has become more politically impossible to go on raising taxes and this is a rela-tively painless way of obtaining additional revenues and avoidir the need to raise taxes," says Chil-ton Thomson, a director of American Express Asset Management.

There has also been a growing dissatisfaction with the inefficiency of many state-owned enter-prises, which are increasingly seen as unwieldy bureaucracies. Reluctant to continue meeting the cash demands of state run companies, governments would rather expose such industries to free market

This particular government has felt for a long time that state interference was detrimental to running companies," notes Roger Nightingale, chief economist for Hoare Govett, referring to the Thatcher administration. "It wanted to get companies like Jag-uar and Amersham back into public ownership. These were ordi-nary companies that happened to be state-owned."

Of course, underpinning the privatization drive has been the long bull market in equities. Not only has it popularized share ownership, but has also expanded the capitalization of stock markets, sorb a series of large offerings. Newly privatized companies are

generally considered good short term investments by most analysts. Investors get exposure to parts of the economy they haven't been able to get at before," says James Anderson, manager of Eu-ropean equities at Baillie, Gifford and Co. Ltd., an Edinburgh fund manager. "They also get exposure to companies that have improved by being in nationalized hands."

Indeed, both the French and British governments have toiled in recent years to improve the quality of the companies they own. For example, British Airways went on a cost-cutting campaign last year that reduced its gross debt to £138 million by November from £379 million in March. And there is already talk that the Thatcher gov-ernment may assume the £200 mil-lion debt burden of Rolls Royce before the company is offered to

The effort has been particuliarly notable in France where the formet Socialist government is given nigh marks for restructuring the trial and financial sectors.

"We've seen a radical improve-ment in management," says Philip Gray, a director of GT Manage ment in London. "We've seen the dogs go out of the market. They have been dramatically transformed. What's coming back is a

completely different animal."

To insure a warm market response for privatized companies, overnments also are paying special attention to pricing. In fact, the Thatcher government was criticized for underpricing the British Telecom issue. Fund managers say initial offerings in privatized companies have been priced at a deep enough discount to insure that the issue is oversubscribed. And in the past, they say, prices have risen at least 10 percent on the same day. "If they price it wrong, it will kill the golden goose," says Mr. Gray. n goose," says Mr. Gray.

Still, not all state-um compa-mes headed toward privatization are attractive. And there is still lingering concern about the longterm prospects for some comp levels in general remain fairly high relative to the private sector and some professional investors express concern about the ability of nent to make a successful transition into a competitive envi-

that the real bargains have already been sold off. Although the gov-ernment has outlined plans to sell the Water Anthority, British Rail, British Steel, the Post Office, the Electricity Board and part of Brit- Exchange.

Casting a Pall Over London's Gray Market

AST FALL, investors eager to deal in British Gas did not have to wait for the shares to be issued. Instead, they could trade in what is known as the gray market, where prices were being quoted on commitments to deliver shares when the issue was

But this freewheeling trading in privatization shares yet to be issued seems to be grinding to a halt, largely because of the government's anger over the frantic gray-market activity in British Gas shares. Gray-market dealings fueled a speculative attitude toward the offering and greatly complicated its pricing, officials have com-

Until the flap over British Gas, London's gray market had been propelled along at a feverish pace by three niche players: Harvard Securities, Prior Harwin, and Cleveland Securities. With a fizzle unnoticed under the din of Britain's Big Bang of deregulation, the first two recently withdrew from the gray market altogether, while Cleveland has sworn off advance dealing in privatization issues, including that of British Airways

We had such an adverse reaction in the U.K. press about our dealing in British Cas shares," prior to the official listing, says Harvey Lawrence, chief of corporate finance at Cleveland Securities, "that we've decided that we won't be active in gray market dealings during other privatiza-

Mr. Lawrence insists that there has been no official pressure from government authorities to close down the grey market. But Hill Samuel



Group, the merchant bank handling the British Airways floatation for the government, has let its distaste for gray-market dealing in the issue be known through reports appearing in the British

press commentary alleging that gray market dealing presents a misleading picture to investors about the anticipated pricing of a new issue, says, "In the past 80 issues, we've been absolutely right on the price, with the exception of one issue."

In the late-November £5.6-billion British Gas flotation, priced by the government at £1.35 per share, both Cleveland and Prior Harwin bore the

brunt of barbs that the gray market was under-bidding shares in British Gas by at least 10 pence. For Cleveland, as was the case with its two sidelined competitors, the roster of clients interested in playing the unofficial market includes large institutions — primarily banks and pension funds. "We've had several calls from institutional clients expressing disappointment about our decision not to participate in privatization issues,"
Mr. Lawrence says, "they feel that our absence will mean a lack of a fair indication of price."

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ish Petroleum if the Thatcher government triumphs in the next elec-tion, these privatizations are far more problematical because of serious financial and political diffi-

"Almost by definition the obvious, easy, attractive candidate have been done first," says Max Ward, who manages British equity portfolios at Baille Gifford. "We are now into the slightly more tricky ones being done. BA is even a less straight forward investmen that British Ges."

Not surprisingly, global portiolio managers are placing greater emphasis on the privatizations in France where banks, insurance concerns and media companies dominate the schedule.

"Paribas tends to be a little more attractive than the forthcoming British privatizations in lum-bering utility companies," says Richard Reid, an economist at Phillips & Drew. "Investment in an aircraft company is not the most attractive stock for some in-N ADDITION, some ans-

lysts are more upbeat about the economic situation in France than in Britain. Michael Woodward, an investment manager at Ivory & Sime, an Edinburgh-based pension fund manager, notes that French corporate profits are expected to grow faster than any other major European economy this year and next. As a result, the outlook for the Paris Bourse looks decidely more upbeat than for the London Stock

Aside from Paribes, whose consolidated net income is expected to reach compared to 3.7 billion francs (about \$587 million) in 1986, investors are also eagerly awaiting the privatization of Agence Havas, an advertising and publishing group that will likely be sold off this year. Thanks to its 25-percent stake in Canal Plus, France's nationwide cable television network, its net profit is fore-cast at 320 million francs in 1986, compared with 22.8 million francs

Likwise, analysts speak highly of CCF, a retail bank that specializes in information technology and has been growing faster than any other French bank, and As-surance Genérale de France, the giant insurance concern whose 1986 earnings are estimated at 1.6 billion francs, up healthily from

1.3 billion france in 1985. Still, the recent weakness of the francisad industrial unrest could delay the government's schedule. "Now the government has run into political trouble, there are questions if it will be able to carry out its privatization program at the rate and amounts which it is envisaging," says Amex's Mr. Thomson, who points out that increasing interest rates in defense of the franc could dereil the stockmarket's rally.

If so, this could will undoubtedly upset the delicate balance be-tween supply and demand that was so crucial to the success of the Saint Gobein issue. Some analysts are already worried that the bourse can absorb everything the

government wants to bring to market. "This can't go on forever," says Wallace Wormley, direc- :::: nt at Prudential Insurance

Co. in the United States. Nonetheless, French companies do not face the same threat of renationalization posed by the possibility of a Labor Party vic tory in Britain's next genera tion, expected this year. A Labor return to power could mean investors are repaid their share at issue cost, not at market value. Such fears, analysts say, have already prevented British Telecom's share price from rising rapidly.

A more immediate concern for individual investors, however, is how to obtain shares. The success of British Gas and Saint Gobain. issues underscored the emphasis both British and French governments place on attracting the small shareholders. In both instances, the amount allocated to institutions and overseas investors

Yet foreign investors have been disappointed by the relatively small amounts they have been able to buy. In France, the government has restricted foreign ownership to 20 percent of future issues. Yet se of strong domestic demand the actual amount sold to foreigners has been smaller. In the case of Saint Gobain, 18 percent of the offering made its way into foreign hands. This compares with only 12 percent or me and all British Gas, despite an initial all lotment equivalent to 20 peronly 12 percent of the shares in

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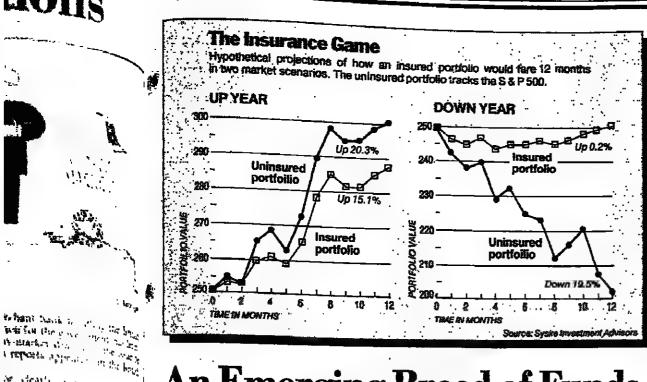
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An Emerging Breed of Funds Uses Computerized Strategies

(Continued from Page 9)

stock for futures when the futures are underprised relative to the in-dex, effectively winning a quick profit while continuing to participate in the index's performance. back into stock when the futures back into stock when the futures Conversely, the fund may jump are overpriced compared to the

Arbitrage, however, could com-plicate Kidder's insurance effort, for program traders say that insur-ers are sometimes selling futures automatically at the same time arhitragers are buying the contracts. The Kidder filing does not spec-

ify how extensively the fund will use arbitrage, and Kidder officials refused to comment at all on the fund until the SEC takes action. But several program traders sug-gested that the fund, called the MarketGuard Appreciation Fund, may concentrate on the performance of its insured portfolio, becoming an arbitrager only under

"That fund could have some pizazz," said Jeffrey Miller, a princi-pal in Miller Tabak and Hirsch,

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which helped pioneer index arbitrage. "...If you worked hard enough at it, you could make up some of the costs of insurance," he

Not everyone, however, is optimistic about the future of "insured" funds. In fact, Wall Street has raised serious questions about portfolio insurance. While insured portfolios are believed to total \$40 billion, that is just a fraction of all

Critics point out that hedging with futures involves steep trans-action costs. This can can lead to mounting expenses in a flat market since a fund manager has no chance of making money on a contract unless its price varies. Moreover, hedging costs can also eat up profits during rallies. At the same time, there are no guarantees that insurers will excute their hedging properly in declining markets. "I think it's very risky," says William Morris, a pension consultant at Mercer-Meidinger Inc.

David Tests, president of T. Rowe Price Associates' Growth Stock fund, says he is unconvinced mutual funds can devise adequate



Bidding at the Chicago Mercantile Exchange on ing and with Wall Street's manu-S&P 500 contracts. Funds with portfolio insurance among investors, more insurance make heavy use of index futures contracts.

insurance expenses. None of the new funds has as many methods at its disposal as the Dreyfus offering, but even so Mr. Testa wonders how many of Dreyfus' techniques are "appropriate adjuncts"

"If you're going to go out on leverage in a rising market and then use insurance to somehow underpin that position, I'd have to think real hard whether that

makes sense," Mr. Testa says. Whether index arbitrage can contribute significantly to returns in coming years is also debatable. Experts have long theorized that arbitrage opportunities will all but vanish as more players take part, and already arbitragers report di-minished opportunities with some index strate

More broadly, program traders are frequently blamed for contrib-uting to stock market gyrations the very volatility insurers aim to avoid. When futures prices sink, critics complain, arbitragers buy up the contracts and dump mas-sive amounts of stock, depressing

ergely technical reasons.

Portfolio insurers are said to accelerate the stock dive when their computers trigger the sale of fu-"The portfolio is insured, but the overall market volatility is increased," reasons Sandy Lin-coln, a pension consultant with A.S. Hansen Inc.

F SUCH WORRIES persist, regulators might evenmally clamp down on pro-

For now, however, program traders seem free to ply their trade. And, while the still-neacent stratetest of a prolonged bear market, practitioners insist the results have be pleasing so far. From Aug. 22 when the S&P 500 plunged 7.8 percent, the RepublicBank-Skya fund reported a drop of about three-quarters of one percent.
With stories like that circulat-

Why the Funds Lagged the Market in '86

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The strength of blue chips made it hard for managers to outperform the major indexes.

By Vartanig G. Vartan

New York
NVESTORS STORMED into U.S. mutual funds last year, but they probably would have been better off investing in blue-chip stocks. Despite a healthy return, the average performance of equity funds in the United States lagged the Dow Jones Industrial average and the Standard & Poor's index of 500 leading stocks.

leading stocks.

The roster of 568 general equity funds produced an average total return of 13.39 percent. By contrast, the S&P 500 index had a total return, including dividends, of 18.71 percent, while the total return of the Dow average was 27.25 percent. The invest-ment concentration during 1986 on largecapitalization blue-chips is cited as the maor reason why the market indicators had a better showing.

Thanks in part to the declining dollar, international funds ranked as the best performing sector of the mutual fund industry in 1986 with a total return averaging 53.25 percent. The internationals ranked second hind the health care funds in 1985.

Gold and precious metal funds staged a comeback. As a group, their performance ranked second only to the international funds and showed an average total return

Results for the fourth quarter, however, showed a change in leadership. "Capital appreciation funds and technology funds - relatively poor performers for the year as a whole - ranked among the best gainers." according to Michael Lipper, president of Lipper Analytical Services, which monitors the fund industry.

For the final quarter alone, top honors went to two small funds. First was the \$4.3million Delcap Fund I with a return of 17.36 percent. It was followed by 44 Wall **How Mutual Funds Have Performed**

Funds showing largest percentage changes in net asset value in 1986 from 1985, and in fourth quarter from previous quarter."

| Gainers | · | Losers | |
|--------------------------|---------|---------------------------------|---------|
| New England Zenith | | 88 Fund | -30.54% |
| Capital Growth | +95.21% | American Heritage | -26.05 |
| Merrill Lynch Pacific | +78.05 | Fidelity Select Electronics | -23.85 |
| Nomura | 74 46 | Bowser Growth | -22.69 |
| Pacific Busin | +74.46 | Strategic Capital Gains | -21.39 |
| Newport Far East | +73.26 | Dividend/Growth Laser, | |
| Financial Portfolio | +72.49 | Advanced Technology | -21.16 |
| GT Pacific Growth | +70.04 | Steadman Amencan Industry | -19.72 |
| Fidelity Overseas | +69.25 | 44 Wall Street | -16.26 |
| BBK International | +61.97 | Fidelity Select | |
| T. Rowe Price | +61.29 | Energy Services First Investors | -15.75 |
| | +60.62 | Natural Resources | -14.85 |

| Qainers | | Losers | |
|---|---------|--------------------------------|------------|
| Delcap Fund I | +17.36% | Strategic Silver | -10.43% |
| 44 Wall Street Equity | +17.11 | Bowser Growth | -9.90 |
| First Investors U.S. Government Plus I | +14.86 | Rochester Convertible | -8.63 |
| Financial Portfolio | | Sherman Dean Fund | -8.57 |
| Technology | +13.94 | Schield Aggressive | |
| USAA Gold | +12.09 | Growth | -7.82 |
| Trustees Commingled | +12.84 | American Capital Life Stock | -7.72 |
| Benham Target 2010 | +11.43 | Rochaster Growth | -6.95 |
| Fidelity Select | | Wuntth Monitors | -6.94 |
| Computer | +11.00 | Fidelity Select | |
| Gintel Erisa | +10.53 | Life insurance | -6.77 |
| IDS Prepious Metals | +10.41 | Strategic Capital Gains | -8.44 |
| "Dividends, capital gains | | Source: Lipper Analytical S | ervices in |

Street Equity, with assets of \$8.2 million, which was ahead 17.11 percent. Both are capital appreciation for the second funds, which as small funds can rack up excellent performance records by hitting it right on just a few

Similarly, the No. I performer for the full year, out of a total of 950 funds of all types, was the \$7-million New England Zenith Capital Growth with a gain of 95.21 percent. The fund is a variable life insurance product offered by New England Mutual Life Insurance Co., which owns majority control of Loomis Sayles, the fund's invest-

G. Kenneth Heebner, portfolio manager of the Boston-based fund, found a winner in Home Shopping Network, a new issue that rose sevenfold between May and De-

"We went in and out of Home Shopping several times during the year." Heebner says. His fund currently has about 25 percent of its portfolio in technology stocks that are focused on the microcomputer business or small computers, including Apple Computer, Lotus Development, Digital Equipment, Telex and Seagate Technology.

UTUAL FUNDS concentrating their investments in the Pacific Basin showed the best records among the internationals. The best performer in that group was the \$420 million Merril Lynch Pacific Fund, which benefitted from the sharp rise of Japanese stocks.

"Slightly less than 75 percent of our assets are currently invested in Japan," says Stephen I. Silverman, the portfolio manager. "We continue to favor property-casualty stocks, which have very conservative accounting practices that, in effect, hide their earnings dramatically." The fund's largest single holding is an Australian stock, AFP Investment Corp., a holding company that constitutes 7 percent of the

Fidelity Overseas Fund, the industry's top performer in 1985, when it gained 78.68 percent, took seventh place last year with a return of 69.25 percent.

The \$6.5-billion Fidelity Magellan Fund, which is managed by Peter Lynch, shows the best performance for the 5, 10 and 15 years ended in 1986. Over 15 years, for example, its total return is 1,721.83 percent. Magellan rose 23.74 percent last year.

Natural resource and technology funds, along with small company growth funds, ranked among the laggards in 1986.

The two poorest performers - 88 Fund among the smallest funds covered in the survey. The 88 Fund, based in Columbus, Ohio, invests only in Ohio-based companies. For the year, it showed a decline of 30.54 percent. The current market value of its portfolio is \$145,000.

American Heritage, based in New York City, has \$600,000 in net assets. It dropped 26.05 percent in value last year. At both organizations, officials said that, in large part, the poor performance was a function of the fund's size. For a small fund, they noted, the legal, accounting and other expenses can offset any performance gains.

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The BCC Group has offices in 72 countries, its Capital

By Karen Polk

New York NVESTORS IN U.S. over-the-counter stocks have a new tool to help them pick their way through the more than 4,000 issues that trade. through Nasdaq. Last November the National Association of Securities Dealers began publishing a monthly list of the "short interest" in stocks traded in

the organization's computerized quotation system. Brokers and analysts alike welcome the availibility of the information, which has long been used on U.S. stock exchanges. Short interest measures the total number of shares in a particular company that have been borrowed and sold by short-sellers. These are speculators who are betting that the stock will decline and allow them to turn a profit by replacing it at a lower price. Not surprisingly, it has been traditionally viewed as a gauge of investor sentiment.

Moreover, since every share borrowed must be

"covered" at some point in the future, the practice provides a pool of eventual buyers. When the number of shares sold short is high, it could indicate a wave of

buying in the future. But experts caution that however beneficial the added information is to the OTC market, individual investors should take care in applying it in their

The monthly listings are the result of a study undertaken by the NASD and released last July in answer to requests from the Securities and Exchange Commission to standardize reporting practices in the various markets. It was also came in response to Sizing Up Short Sales

- Experts say short interest is generally not magningful as a sentiment indicator unless it is equivalent to at least 10 to 20 percent of a company's total nstanding shares.
- Try to determine a reason for the short position. Ask your broker about recent research recommendations or research recommendations or company s.stock.
- It is best to compare short interest data from manth to month to determine ita. short position is increasing or
- To got strough idea about how many days it would take to cover a short position, dwice the monthly short interesticately the everage dely tracking volume. A short interest case of more than 1-6 has tracking been wewent as a brillable indicator.

essure from a number of companies that complained of what they believed to be excessive short

elling in their stocks They claimed that the short-sellers artificially depressed the value of stocks. Although this is a common complaint when it comes to short-selling, it was an especially worrisome to the managers of the smallcapitalization companies that populate the OTC market. And prior to the study, horror stories about short-selling abounded, with many investors suspecting that OTC stocks were routinely victimized by

The results of the study were surprising, however.
There was far less short-selling in the OTC market
than had been expected, and less than in the listed

exchanges. And when there was a significant short interest in a particular stock, it was often for all the tight reasons: the fundamentals did not hold up under analysis and the stock took a plunge.

"The big surprise that the new data has shown is that everybody was expecting the OTC short sale figures to be so huge because there's so much short-ing done in this marketplace, and that's simply not the case," says Alan deVries, first vice president and retail national product manager for OTC equities at E.F. Humon.

Many short sellers (eel vindicated by the news and by what they have observed in the two listings that have been published to date. "Short-selling is a very legitimate market mechanism," says Jack A. Sullivan. who tracks OTC stocks for Van Kasper & Co., a San Francisco-based brokerage.

Moreover, many observers believe publishing short interest is a vital step in the development of the Nasdaq market.

Each time the NASD has [made disclosures] there's been a flood of business coming in because there's more information for investors to make their decisions. If investors feel that the market is maturing, more people invest in it," says Peter DaPuzzo, senior executive vice president of Shearson Lehman Brothers Inc. and head of its OTC trading desk.

Understanding this new mechanism and interpret-ing the information may take practice, however. The monthly published charts list the number of short positions in a stock, compare it to the previous month and sometimes list the average daily trading volume for that stock. But to take that information at face value and make a judgement on it, "would be too risky," says Eugene Finn, chief economist for the NASD.

The reason is that short figures do not always reflect the opinion that investors may have about a narticular stock. If a company is also trading convertibles, warrants or options, it may be that arbitrageurs are short-selling a higher priced common stock while buying up other, possibly lower priced equivalent

The NASD indicates potential arbitrage candidates on its list, but the association limits its search Nasdaq and the stock exchanges. Many companies in the OTC market, however, trade instruments equivalent with their common stocks through the daily "pink sheets" that are published by the National Quotation Bureau Inc. in Jersey City, New Jersey.

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Of the 10 companies with the largest short interest listed in the December report, only four were flagged for arbitrageable instruments. But two others — Electromedies inc., which manufacures electical machinery, and Thousand Trails, which operates campgrounds - had warrants attached to them that were traded through the pink sheets.

In both instances, traders suspect that arbitrage activity contributed to the short position. In the case of Electromedics, the short interest was equivalent to 3.7 percent of its 42.5 million outstanding shares. For Thousand Trails, the figure stood at 34.5 percent, but its total float is only 4 million common shares.

Moreover, a sizeable short position might actually reflect a battle between supporters and short-sellers of a stock, which often creates wild price fluctuations. "The two groups are both acting on what they believe to be a correct analysis of the company. They are just differences of opinion," says Mr. Fron.

With the reporting still in its early stages, problems have already arisen. In the first listing, which appeared in late November, two stocks were reported to have short interest far above and below the actual figures. An investigation by the NASD nacovered a ghtch in the software program that firms use to calculate the short positions, according to NASD officials. The discovery led to the reevaluation of all the November figures, and the NASD urged inves-tors to use the revised November figures that were listed in the December charts.

But despite a troubled start, some experts are aiready drawing favorable conclusions based on the short interest data. The Docember listings of short interest, they note, showed a 3 percent decline over the revised November figures, compared to only a fractional decline in short interest on the Big Board. At the same time, prices were up on the listed exchanges while the NASDAQ composite index fell 2 percent - a sign of possible bargains for the new

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STRATEGY

Choosing the Right Dollar

Seeking haven in the one from Canada.

NVESTORS who have been overwhelmed by the turbulence that has surrounded European currencies and the dollar this month might want to take a second look

at the Canadian dollar. Last week, Merrill Lynch recweight Canadian dollar instru-ments in their bond holdings, As a guide, Merrill doubled the expo-sure in their own model portfolio to 10 percent, while cutting back on Australian and New Zealand dollar instruments. Although it is nowhere near Merrill's suggested 25-percent exposure to West Gersignificant considering that 3 per-cent is a normal weighting for Canacing dollar bouds.

Michael Rosenberg, head of international fixed-income research for Merrill Lynch, attributes the portfolio adjustment to a fondness for undervalued currencies. He ar-gues that the Canadian dollar is one of the few major currencies that remains severely undervalued relative to the U.S. currency.

"It's a myth that the Canadian dollar and the U.S. dollar move in tandem," says Mr. Rosenberg. "After they were at parity back in 1976, the Canadian dollar has been in a declining trend. And we

finish that's been overdone."

Indeed, while the U.S. dollar contines to weaken, he says the Canadian dollar is on the verge of making some headway in 1987. He credits Canada's narrowing cur-rent account deficit as well as political pressure from Washington, which is seeking to reduce the U.S. trade deficit with Canada.

Mr. Rosenberg sees the U.S. currency possibly dropping to 1.32 Canadian dollars by the end of the year from its current level of about 1.37. "It's not keeping up with the Deutsche mark, but it's doing just fine for the Canadian dollar,"

Moreover, Mr. Rosenberg also likes the high yields available in Canadian instruments, which could work in favor of higher prices. As inflation in the United

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that

| GAMERS 1 | 19.00 | 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | LOSERS | 500 S | 1.0 |
|---|----------------------------|---------------------------------------|---|-----------------|-------------------|
| | Percent Gain | Price Dec.31 | and district and a few or high and a second | Percent Loss | Pric Dec.3 |
| New York Stock Ex | change: | | | | |
| Compiled by Media General | | rvices, Prices | in dollare | | |
| Ranco Inc. | 60 | 38.75 | International Tech. | 36 | 15.0 |
| Joy Manufacturing | 36 | 34.75 | ICN Pharmaceuticals | 26 . | 17.7 |
| Owens-Coming Fibergl. | 31 | 13.75 | Tonka Corp | 25 | 19.8 |
| United Merchants | 25 25 | 13.63 | Culbro Corp | 24 | 38.5 |
| Recognition Equipment | 25 | 15.50 | Borman sinc. | . 23 | 17.6 |
| Fabri-Centers America | -24 | -11.75 | :: Universal Metchbox | 2. A23.7 | VH (5.3) |
| XTRA Corp | 22 | 25.88 | Farah Manufactunng | 22 | 13.6 |
| Armada Corp. | 21 | 13.25 | General Motors CI. E | 21 | 24.8 |
| Measurex Corp. | 20 | 42.50 | Munsingwear Inc | 20 | 11.3 |
| Ingredient Technology | 20 | 23.50 | Shaklee Corp . | 19 | 17.7 |
| American Stock Ex | change: | | | | |
| NV Homes L.P. | 48 | 19,25 | Wherehouse Entmt. | 30 25 | 14,13 |
| Haling. | 34 | 21,75 | Levitt Corp. | 25 | 10.0 |
| Clark Consolidated | 32 | 12.00 | Newmark & Lewis | 21 | 11.7 |
| Citizens 1st Bancorp | 28 | 23.38 | Pauley Petroleum | 20 | 10.00 |
| Big V Sprmrkts, Cl. A | 24 | 14,00 | Continental Material | 19 | 20.2 |
| Over the Counter: | | | | | |
| Accuray Corp. | 140 | 45.50 | Beauticontrol | 33 | 10.7 |
| Pac. Southwest Air | 56 | 16.00 | Sound Warehouse Inc. | 33 33 | 13.88 |
| Quipp Inc. | 48 | 20.00 | Southland Financial | 32 . | 13.50 |
| Sigma Designs Valtek Inc. | 39 | 17.75 | Galileo Electro Opt. | 30 | 25.00 |
| venek inc. | 36 | 10.75 | American Ecology | 30 | 14.00 |
| ondon Stock Exch | BT 30: | | | | |
| Ompiled by Morgan Stanley | Capital Inter | national. Pric | es in pence. | | |
| Ssoc. Newspapers | 29 20 | 409 | Mercury International | 14 | 360 |
| Interprise Oil | 20 | 183 | Guiness | 13 | 288 |
| Britoil | 15 | 172 | Lex Services | 12 | 283 |
| Slaxo Holdinga Fricentrol | 14 | 1.048 | Simon Engineering | 12 | 296 |
| ncentrol .23ma | 13 12 | 58 | Ward White Group | 12 | 279 |
| Coairte Group | 12 | 162 284 | Scottish & Newcastle | 9 | 200 |
| lati. Westminster Bank | 11 | 548 | Laura Ashley Holdings Willis Faberup | 9 | 168 |
| BBA Group | 10 | 139 | Morgan Grenfell | ě | 425 |
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| II Nippon Airways | 24 | 1.140 | Denki Kagaku Kogyo | 15 | . 377 |
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| | 22 | 1.540 | Japan Catalytic | 15. | 1.000 |
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States begins to catch up with the countries to narrow. The current could narrow to 100 basis points States begins to catch up with the commines so narrow. The current 4.5-percent rate in Canada, Mr. 160-point yield spread between Rosenberg expects the interest 10-year Canadian government bonds and U.S. Treasury notes Could narrow to 100 basis point by the end of the year, he says. [Institute of the year of the yea

John Meehan

Connecticut Bond indexes are proprietary. Equity indexes are from Capital Internation

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|---------------------------|---------|-----------------------------|
| SOUT OF SREG. HUMBERS | 1 | \$13,000,568.00 |
| 2ND PRIZE | 10 | \$441,481,50 |
| 3RD PRIZE | 716 | \$3,704.70 |
| 4TH PRIZE | 48,917 | \$139.30 |
| 5TH PRIZE | 985,112 | \$10.00 |
| 101AL PRIZES 1,014,758 | | L PRIZE VALUE 443,228.10 |

1st, 2nd, 3nd, and 4th prizes are calculated the fotal prize pool. Since (the prize pool is to draw, the size of the prizes will very to

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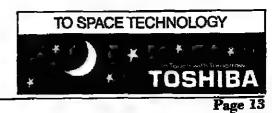
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E News 1

100 CONT.

11.1 M. Page

Herald Eribune, BUSINESS/FINANCE



Underwriters Avoid Risks In Dollar Market Turmoil

By CARL GEWIRTZ

ARIS — The continuing turmoil in foreign-exchange markets is having a quite beneficial — not to say surprising — effect on the dollar sector of the international bond market: New issues are being offered with terms designed to appeal to investors and make money for underwriters. This is a radical return to the past, as pricing issues so that they trade within the fees paid to underwriters went out of fashion in the late 1970s.

The dollar's free-fall in the exchange markets has changed this.

Investors are still willing to buy dollar securities, anticipating that U.S. interest rates will decline this year and bond prices will rise. But exchange market developments make them nervous and

Listed bearer

bonds should

attraction of the

enhance the

in no mood to buy bonds that immediately trade at discounts of 2 to 3 percent from the offering price.
At the same time, lead man-

agers are in no mood to launch mispriced issues. Experience has shown that managers' attempts to stabilize prices dur-

ing the syndication period often result in their owning
most, if not all, of the issue. Such paper rarely trades well. Once
an issue is labeled a dog, dealers and investors avoid it, fearing
that the liquidity will always be impaired.

Yether next managers were content to sit on such unsold paper

In the past, managers were content to sit on such misold paper in the confident belief that declining interest rates would make it possible to unload at a profit. Now, even though the alow economic performance of the United States is expected to result in lower rates, underwriters prefer not to run too much of a risk. That reflects a fear that things could get out of control. For

example, a dollar that tumbles too far too fast could send U.S. inflation soaring and cause investors to lose all confidence. Under such a scenario, the Federal Reserve would have to drive interest rates up to attract the foreign money needed to finance the enormous federal budget deficit

The new approach in the Eurobond market was best demonstrated last week by the issue Belgium launched, a \$200 million bond that within a few hours was increased to \$300 million.

BILGIUM wanted floating-rate money and the cheapest way to do this was through a swap. The floating-rate note market is still suffering from the sell-off in perpetual issues, making it impossible to consider issuing FRNs at below the London interbank offered rate. Belgium wanted and received a cost of funds in the area of 30 basis points, or 0.3 percent, below

Up to now, arranging such swaps has been a major profit center for the managers of bond issues. The manager typically would arrange the swap at a big profit for itself and then syndicate the fixed-coupon bond issue at terms that bear no relation to what the going rate is in the public market. The underpricing of the bond issue was needed to offset the private profit in pricing the swap, otherwise the deal couldn't be execut-

Of late, however, to protect their own reputation as well as that of the borrower, lead managers have had to repurchase huge amounts of the mispriced bond issues in efforts to stabilize sinking prices — an endeavor that are into the profit made in

County NatWest Capital Markets, lead manager of the Belgian issue, has reversed this procedure. The swap, it is widely believed, was stranged at a loss, the bond was overpriced and the profit made on calling the lead to be a loss, the bond was overpriced. made on selling the bond should more than cover the cost of the

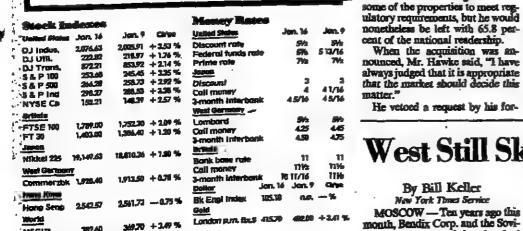
Competitors estimate that County lost more than \$2 million providing the swap. That may be more theoretical than real. The bank may have had a counterparty willing to pay the more than normal cost for arranging a swap, or the bank may have written the swap itself hoping to trade it at a profit later.

In any event, the terms on Belgium's 10-year bonds included a coupon of 8 percent, an offering price of 1011/2 and underwriting commissions of 2 percent — a total cost of funds of 85 basis points over the yield on comparably dated Treasury bonds. A year ago, admittedly in very different market conditions, Belgium paid 40 basis points over the yield on U.S. Treasury paper to raise money in the Eurodollar bond market.

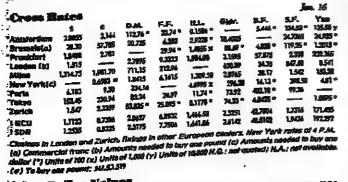
Also worth noting is that these are Belgium's first bearer bonds. Up to now its Eurodollar offerings have been in the form of unlisted registered securities to keep the tax-free paper out of the hands of Belgian tax evaders. The new issue, to be listed in Luxembourg, was sold in large denominations of \$100,000, reflecting the government's concern to discourage tax evaders from buying its paper. Listed bearer bonds, the standard feature of Eurobonds, should enhance the attraction of the paper, since

See EUROBONDS, Page 15

Last Week's Markets All figures are as of close of trading Friday



Currency Rates





Manila Hardens **Debt Line**

Seeks Lowest Interest Ever

MANII.A — In a hardening stand on debt talks, the Philippines has demanded easier repayment terms than those ever offered any major debtor nation.

Finance Minister Jaime Ongpin said Saturday that Manila would not resume talks on restructuring \$3.6 billion of its \$28 billion foreign debt until an offer better than Mexico" was made.

Bankers consider the Mexican package the most lenient a major debtor nation has received from creditor banks: 20-year repayment with a 7-year grace period at interest of 13/16 percent over the Lon-don interbank offered rate.

Mr. Ongoin not only confirmed that the Philippines was seeking a rate of A percent over Libor, but he also said that rate "looks like it is not even good enough. That is why we originally entered the talks with he percent."

Furthermore, he said, referring to the time it took to arrive at the Mexican program: "We do not want to be waltzed around for 10 months like the Mexicans were."

The debt talks collapsed in November after a bank, identified by sources as Citibank, refused to endorse an offer by the Philippines' 12-bank advisory committee of 1% rcent over Libor.

Mr. Ongoin also said the Philippines was facing a cash shortage and would ask aid donors to endorse \$3.5 billion in development assistance, as well as funding for a land reform program that is expected to cost about \$500 million over the next two years.

Mr. Ongpin, along with the cen-tral bank governor, José Fernan-dez, and Economic Planning Min-ister Solita Monsod, left Sunday for Paris for meetings of a consulta-tive group of Mamila's bilateral and multilateral creditors and of the 15 Western aid donors who make up

lane Periez

New York Times Service

tional chain with two-thirds of the

But the \$1.6 billion takeover

shown a surprisingly symbiotic re-

lationship between the Labor gov-erament of Prime Minister Bob

The Labor Party declined to in-

terfere with the acquisition by Mr. Murdoch's News Corp. of the 142

newspapers, radio and television stations owned by Herald & Week-

ly Times Ltd., Australia's biggest

Weekly ended last week when busi-

nessman Robert Holmes à Court withdrew from the bidding

cent of the national readership.

Mr. Murdoch has agreed to sell

as be left with 65.8 per-

Hawke and the conservative pub- Frest und

Comparison of changes in the value of the dollar at the end of each month against the currencies of four important trading partners. 110-South Korea 90-West Germany Index: January 1985 = 100 Source: International Monetary Fund; First American Bank of New York

Europe's Confidence in U.S. Sags

Trade, Budget Gaps Combine With Fears About Fed

"Mr. Murdoch is the most inter

"Both political parties here have

laid down and said to him: Do

what you like and more strength to

your arms,' simply because they don't want to earn a media enemy."

The relationship between Mr. Murdoch and the Labor Party, at

both the federal and state levels,

For example, Mr. Murdoch was granted the license to run the lucra-

tive New South Wales Lotto game

by the state Labor government. He

operates, along with the govern-ment-owned airline, in a highly reg-

ulated two-sirine system.

Last month, when Mr. Hawke wanted to ease out his press secre-

tary, he called the managing direc-tor of News Ltd., according to an

undisputed report by Maximilian

nalist, and asked that the press sec-

retary be found a job within the

While the political leadership

semed unperturbed by the expan-

sion of the Murdoch empire, others

were not so happy.
In particular, Mr. Murdoch's
U.S. citizenship, acquired in 1985

when he was seeking to acquire

U.S. television stations, rankles.

newspaper organization.

a 50 percent partner in Ansett Airlines, the only privately held do-mestic airline in the country, which

has been friendly for some time,

ventionist newspaper publisher in the world," Mr. McClelland said.

By John M. Berry

Washington Past Service

LONDON — The European financial community is fast losing confidence in both the U.S. dollar and leadership within the Reagan administration, according to a number of financial analysts here. Since the beginning of this month, and especially last week, this loss of confidence has helped send the dollar turnbling on foreign exchange markets.

the dollar tumbling on foreign-exchange markets.

Two years ago, when the dollar was soaring almost no one in Europe was willing to bet against it. Analysts acknowledged at the time that the growing U.S. trade deficit and a somewhat higher rate of inflation in the United States than in West Germany and Japan pointed to a decline in the dollar. But confidence in the economic management of President Ronald Reagan and the Federal Reserve chairman, Paul A. Volcker, was just too

Even after the dollar began to decline, that confidence produced a relatively smooth, steady fall rather than the precipitous drop that had been predicted by many currency experts. The sharpest decline came after the September 1985 meeting at New York's Plaza Hotel of the finance ministers and central bankers from the United States, West Germany, Japan, France and Britain.

The market's confidence has now been lost, buried by bad news. Among the most important developments, analysts say, have been:

Murdoch, Politicians Live and Let Live

public inquiry. Mr. Murdoch con-

The former prime minister, Mal-

colm Fraser, denounced both the

Party, which also did not oppose the Murdoch acquisition.

percent of the total metropolitan daily publications is good for Aus-

tralia or good for democracy," Mr.

Mr. Fraser, a childhood friend of Mr. Mardoch, said the politicians were "too scared" to criticize the

The newspapers already owned by Mr. Murdoch range from The Australian, considered to be his na-

tures of skimpily clad women.

He also owns newspapers, maga-zines and television stations in Brit-

sin. Canada and the United States.

dorsements, which often spill over

lam Labor government, James

McClelland, said Saturday that the

into the news pages.

A former minister in the Whit-

The Australian papers are

SYDNEY - The transforms-ducted an editorial campaign

tion of Rupert Murdoch's Austra- against Mr. Hayden during a tustle

concerns here about the concentra- Hawke government and the leaders

tion of so many newspapers in the of his own conservative Liberal control of one individual. Party, which also did not conose

greement that would give Mr. "Nobody in the world would say durdoch a national chain has that one corporation owning 75

edia group.

A takeover battle for Herald & Sydney tabloid specializing in seasational crime stories and pie-

natter."

Pie vetoed a request by his form going along with Mr. Murdoch.

han newspaper holdings into a na- for the Labor Party leadership.

• The failure of the dollar's decline in 1985 and 1986 to make a dent in the U.S. trade deficit; the latest figure, for November, was a record, more than \$19.2 billion.

The continued large U.S. budget deficit, one-fourth to one-third of which was financed last year. by foreign purchases of government debt.

• The unexpected weakness of the Reagan presi-

dency after the disclosures about weapons sales to

• A growing fear that Mr. Reagan will not reappoint Mr. Volcker, nor choose a strong, experienced leader to replace him, when the Fed chair-

man's term expires in August. Evidence that the governments of West Germany and Japan remain unwilling to make economic policy changes that would support the dollar by stimulating domestic demand — and thus the market for U.S. exports — and reducing interest-rate differentials between their countries and

the United States. "I have a hornble feeling there is a considerable downside to the dollar," said Richard Reid, economist at Phillips & Drew, a large brokerage firm. Mr. Reid said he feered that Reagan administration officials, and their counterparts in West Germany and Japan, did not fully appreciate the dangers involved.

He and other analysts said they believed that the

See CONFIDENCE, Page 15

Rupert Murdoch

ed his Australian background and

then got American citizenship to

suit his own ends," said James Hall,

associate editor of The Bulletin, a

national magazine. "He then comes

elevision stations here is under

threat because, under Australian

law, a foreign citizen cannot con-

The Murdoch company has un-

dergone extensive restructuring

to see whether Mr. Murdoch has

been sufficiently isolated from con-

trol of the stations. A decision from

the federal court is expected this

sentatives who are deeply involved in negotiations with Soviet officials

on joint ventures say they have had

that the federal court is examin

back here to grab more."

trol television stations.

Fermenta Chief Resigns After **Admitting Lie**

STOCKHOLM - Sune Dahlstar bourse performer, with Mr. Sayed voted Swede of the Year and berg managing director of trou-bled Swedish biotechnology group Fermenta AB, has resigned after admitting lying about a discredited company document. one of the country's richest men. with automaker Volvo AB to form a major biotechnology group came undone after Mr. Sayed admitted

Early Saturday, Mr. Dahlberg said at a news conference that his signature on a Fermenta eightmonth interim report, now discredited by auditors, had been forged. But after two witnesses Swedish newspapers they had seen him sign a blank piece of paper he knew was to be attached to the report, he withdrew the claim, He said in a statement to report-

ers that he had lied. In December, auditors cut predicted earnings in the 1986 interim report from 700 million kronor (\$106.14 million) to 40 million. They said they could not guarantee the authenticity of many company

Last Thursday, the board of the Stockholm Stock Exchange announced that Fermenta would be delisted, effective Monday.

The bourse accused Ferments of providing misleading information to the stock exchange and financial The bourse's chairman, Bengt

Ryden, said the company's "unpar-alieled conduct" meant expulsion was the only choice. Police prosecutors, the stock exchange and the bank inspection

board are carrying out separate inquiries into the company after the auditors' disclosures. Inquiries are also under way into the business affairs of the compa-

ny's founder, Refeat el-Sayed, who resigned early in November.
Mr. Sayed, a naturalized Swede born in Egypt, conceded a 46 percent share in Fermenta to the investment firm Industrivarden AB. which took up the stake as security for loans Mr. Sayed failed to repay.

Dagens Nyheter, Sweden's biggest newspaper, said Saturday that if Mr. Dahiberg had not resigned, the board would have dismissed

The new board, appointed last month to represent the new ownership, has promised to restore the company's credibility. But industrial sources said the

bound to affect trading of Fermencial market when it opens on Mon-

Trading of Fermenta shares was suspended eight times last year. During the year the share price fell from above 300 kronor to 105.

In Tentative Agreement New York Times Service PITTSBURGH — Negotiators for USX Corp. and the United Steelworkers of America have reached a tentative agreement that if approved by the union's mem-bers will end the longest work stop-page in the U.S. steel industry's history.

But within weeks, an agreement

he had lied about his academic

Later, a bid to sell his stake in

Newspapers and industrial

sources say the Fermenta scandal is

the worst in the country's business

life since 1932, when the suicide of an industrialist, Ivar Kreuger, pre-cipitated a stock exchange crash.

USX, Union

Fermenta to the Italian chemicals

giant Montedison SpA collapsed.

The work stoppage, which the company called a strike and the union termed a lockout, entered its 171st day Sunday, with about 22,000 workers idled.

Few details of the tentative pact were available. It is likely to allow both sides to declare victory in the

dispute, which began Ang. 1, 1986. The tentative settlement was announced early Saturday by Sylves-ter Garrett, a longtime steel-industry arbitrator who was brought into the discussions last month. It followed several days of marathon

bargaining.
This certainly was as difficult a negotiation as any I have experienced in my involvement in collective bargaining since 1937," Mr. Garrett said. "The parties' top negotiators are entitled to full credit for hammering out practical solucontinuing scandals would be tions to extremely difficult problens."

level negotiators, must be approved by the presidents of local unions They said the unprecedented series of events made it impossible to membership for a mail vote. The presidents were to meet Sunday in The agreement came as 26 weeks

See STEEL, Page 17

Reagan's Deregulator To Quit as Head of FCC

By Reginald Stuart
New York Times Service

WASHINGTON - Mark S. Fowler, who has championed deregulation of U.S. telecommunications industries for the Reagan adresignation as chairman of the Federal Communications Commission.

Mr. Murdoch's ownership of two "It seems like a natural break point," said Mr. Fowler, 45, who has headed the commission since May 1981, longer than any of his Mr. Fowler, whose first term as

chairman expired last June, submitted his letter of resignation to President Ronald Reagan on Friday. He was expected to be renomi-Senate Commerce Committee.

tations with Senate Republicans and Democrats over his deregulation policies. Lawmakers have crititelephone rates, which introduced His handling of mergers and ac-quisitions in the broadcast industry Mr. Fowler also said he would

erties to change hands, and he aggressively promoted competition in the telephone industry by dropping numerous restrictions. More reministration, has announced his cently he fought to promote comsortium of governments that operates the world communication tarellite network. Despite the confrontations with lawmakers, Mr. Fowler said he felt

he could have won reconfirmation shifted from Republicans to Dem-There was speculation last spring

nated by Mr. Reagan this month expired last June. He surprised but faced an uphill battle in the agency colleagues and lawmakers when he said he would stay on for a sion has been marked by confron- of the remaining major items on his deregulation agenda. Mr. Fowler said he did not think

it was appropriate to discuss his cized his program to restructure plans, since it would be several months before he left the agency. monthly access charges for residen- His letter said his resignation tial and small business customers. would be effective this spring "on

was sharply criticized as too le- not become involved in recomment. And his attacks on FCC poli-mending a successor. Dennis Patcies aimed at promoting ownership rick, a commissioner who came to of broadcast properties by women the agency from the White House and other minorities drew strong staff, is considered a leading con-



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West Still Skeptical on Joint Ventures With Soviet Moreover, even corporate repre-

New York Times Service

MOSCOW — Ten years ago this month, Bendix Corp. and the Sovi-et Union amounced that they had formed a joint venture to make spark plugs at a factory in the Sovi-

But after much talk about a new wave of Soviet-American ventures. the agreement collapsed because of impenetrable Soviet bureaucracy and the Russians' reluctance to part with any of the profits, recalls William M. Agee, former Bendix chief executive "They would learn all our tech-

nology, and we would not even be profitable middlemen," he said. The Bendix story is recounted frequently by Western businessmen here as a cautionary tale, now that the Soviet Union has begun a whirlwind courtship of Western partners aimed at creating the first entine joint ventures on Soviet

new Soviet law allowing foreigners to hold equity for the first time in dence and tax breaks, and despite main deeply skeptical that the Sovi- commercial officer, "And that's ca- in the Soviet Union will be limited.

Tass Says Output Rises 4%

MOSCOW — Industrial production showed improvement in most sectors in 1986 but there is still room for improvement in the economy, the official news agency Tass said Sunday.

Tass, publishing data released by the Central Statistics Board, said the figures showed a 4.9 percent rise in industrial output last year,

above the target of 4.3 percent use in institution output list yell, above the target of 4.3 percent and up from 3.9 percent in 1985.

National income, the value of total output, rose 4.1 percent compared with the previous year, standing at around 590 billion rubles (\$390.29 billion at the official exchange rate). The target was 3.9

But Tass said serious deficiencies remained and electricity production failed to meet planned targets, largely because of the Chemobyl

It said that gas and coal passed their targets, but while oil output improved sharply, it was still below target. Agricultural output also Tass said: "The negative tendency for a slowing development of the economy has been overcome." It said the figures had improved in

almost all branches of production. But it added: "In some areas of the economy, production has remained slow, unrhythmical production has continued, serious deficiencies remain in the range and quality of production and deliveries."

Soviet industry, despite high-level et Union will throw open its doors actly what the Soviets don't want."

Without access to the Soviet con-"In order to make it worth your sumer market of 280 million peothe signing of three preliminary while, you're going to have to be ple, and the right to take home joint venture agreements with U.S. offered the incredible plum of the profits in hard currency, Western-

Without access to the Soviet con-

companies, many Westerners re- Soviet market," said one Western ert say the appeal of joint ventures

cial questions:

• Will Western partners have authority to fire unproductive Sovier workers and reward good ones, based on their work habits rather than their party orthodoxy?

 Will joint ventures really be, as the Russians have promised, completely independent of the rigid, centralized Soviet planning sys-What will a joint venture have

to pay for Soviet fuel, raw materials, and notoriously improductive "We have legal questions, tax questions. What about auditors?"

asked Stephene Mazurek, head of the Moscow office for Monsanto Co., which has signed a letter of intent to jointly own and operate a herbicide plant in the Soviet Republic of Kazakhstan. "I can give you 10 pages of questions, 20 pages if you like." A Western trade official with ex-

perience in such partnerships said, Twe never been involved in a joint venture that wasn't a nightmare, even when both partners shared the

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| LorTer 15 115 200 1846 175 1-16 45 1846 23 | 「 3」 40 40 10 100 r to 1 200Pb 2711 125b € 746 ₽ | Section 220 5 | - Mark Mr 1994 A97 +68 | Hong Kong Westdeutsche Landesbank, BA Tower, 36th Floor, 12 Hard Hong Kong, Telephone (5) 8 42 02 88, Telex 75142 HX | |
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New International Bond Issues

| 1 | - | | | ompile | ed by L | aurence | Desvilentes |
|-----|--|----------------------|---------------|-------------|----------|----------------------|---|
| , | ₹ ₽ | | | | | | |
| a. | Issuer | Amount (millions) | Mat. | Coup % |). Price | Price end week | Terms |
| | ROATING RATE N | OTES | | | | Week | |
| | CMO Eurotrust 18 | \$100 | 2017 | 1/2 | 100 | | Over 3-month Libor. |
| | Stringyong U.S.A. | \$ 25 | 1992 | . 14 | 100 | 99.45 | |
| • | FOCED-COUPON | | | | | | of par in 1999, Fees 0.60%. Denominations \$500,000. |
| • | Belgium | \$300 | 1997 | 8 | 1011/ | 100.00 | <u></u> |
| • | Nippon Telegroph & | \$150 | 1994 | 71/2 | 101% | | Noncollable, Fees 2%, Denominations \$100,000. |
| | Telephone | | | | 10078 | . Indow | Noncolicible, Fees 199%. |
| | Spatoil Sweden | \$200 | 1994 | 7% | 101 | 99.25 | Noncollable. Fees 1%%. |
| - | Whiripool | \$250 | 1992 | _7_ | 101 | 99.50 | Noncefiable, Fees 197%. |
| | Acceptance | \$100 | ? 99 1 | 7% | 10114 | _ | Noncolloble. Fees 196%. |
| Ξ. | Commerzbank Overseas Finance | DM 400 | 1992 | 51/2 | 100 | 98.75 | Noncollable. Fees not disclared. |
| - | Dresdner Finance | DM 500 | 1992 | 41/2 | 9714 | 95.25 | Noncollable. Fees 2%. |
| | European Investment Bank | DW 300 | 1997 | 6 | 100 | | Collable at 100% in 1994, Files 196%. |
| - | Toronto Dominion Bank | DM 100 | 1994 | 5% | 100 | _ | Noncollable private placement, Fees 1966. |
| | World Bank | £100 | 1999 | 10% | 10014 | 99.00 | Noncatable. Fees 2%. |
| _ | Bank Mees & Hope Câsse Centrale de | ECU 50 | 1992 | 7% | 100% | | |
| i | Cooperation Economique | BCU73 | 1992 | 7% | 101% | 99.50 | Noncollobie. Fees 17/%. |
| Ī | Éirofina | ECU 150 | 1994 | 7% | 101% | 99.88 | Noncollable, Fees 197%, |
| 1 | Queensland Government Development Authority | ECU 75 | 1992 | 7% | 10114 | 99.38 | Noncollable, Fues 1966. |
| | Sumitomo Finance Asia | BCU 100 | 1994 | 7% | 101% | 99.25 | Noncolicide, Paes 1975. Denominations 12,500 scus. |
| | CIBC Mortgage | C\$ 100 | 1992 | 9 | 100% | 99.13 | Noncollable, Fees 136%. |
| | European Investment Bank | C\$ 138 | 1996 | 9 | 10134 | 99.98 | Noncolloble, Fees 2%. |
| 1 | Ford Credit Canada | C\$ 75 | 1992 | 9 | 101% | 99_50 | Noncoliable, Feet 196%. |
| 1 | Saskatchewan Province | C\$ 150 | 1990 | 814 | 100% | 99.75 | Noncolobia, Fees 196%. |
| _ | Sears Canada | C\$ 100 | 1997 | 914 | 10114 | 98.63 | Noncollable. Fees 2%. |
| - | Winnipeg City | C\$ 60 | 1992 | 9 | 101% | _ | Noncolioble, Fees, 1895. |
| 3 | British Petroleum Capital | Aur\$ 100 | 1992 | 14% | 1011/4 | 99.50 | Nonaalabis. Fees 2%. |
| - | ndosuez Australia | Aus 40 | 1990 | 14% | 10114 | _ | Noncollable, Fees 199%. |
| j | NordLB Finance (Curacas) | Aus 50 _. | 1992 | 14% | 101135 | | Noncoliable, Feet 26. |
| 1 | Toronto Dominion Sank | Aus\$ 40 | 1990 | 14% | 10114 | 99.10 | |
| - | Den Norske Creditbank Int'i | y 25,000 | 1992 | 514 | 10114 | 99.38 | Nescolloble. Fees 1956. |
| _ | Postiporikki | Y 5,000 | 1992 | 7¼ | 105 | _ | Noncollable. Redeemable of maturity in LLS. dollars at a fixed exchange rais of 173.00 year per dollar. Fees 1966. |
| _ | CUTY-LINKED | *** | 100 | AP 5 | | 105.00 | |
| - | Seci Company | \$100 | 1992 | 314 | 100 | 107.25 | Noncollable. Each \$5,000 nate with one warrant exercisable into company's shares of 2,296 yen per share and at 154.45 yen per dallar. Fees 2456. |
| t - | гипіўа Сопрану | \$ 60 | 1992 | 314 | 100 | | Nancolable. Such \$5,000 note with one warrant exercisable into company's shares at 2,051 yes per share and et 157.60 yes per dollar. Fees 26%. |
| | Toshiba Engineering L Construction | \$ 50 | 1992 | орел | 100 | | Causan indicated at 396%, Noncollable, Each \$5,000 note with one warrant exercisable into corepony's shares of an expected 266% prenium, Fees 266%, Terms to be set Jan. 19. |
| | ulius Baer Bank & Tust | DM 150 | 1994 | 2 | 100 | 112.00 | Eoch 10,000-month note documentals into 9 bears participa- tion certificates of Boar Holding A.G. Fees 24%. |
| 1 | Burton Group | £ 110 | 2001 | 4% | 100 | | Redeemakie at 136% in 1992 to yield 10.01%. Callable at 102 in 1992. Conventible at 315 pence a share, a 9% presslum. Fees 28%. |
| 3 | WARRANTS - | | | • | | | |
| 1 | Den Norske | 0.10 | 1990 | _ | \$16 | \$19 | Warrants exercisable at par into a 7% nancallable band due |

Bond Prices Up After Rise On Treasury **Futures Mart**

By H.J. Maidenberg
New York Times Service

In late trading, the offered price

U.S. CREDIT MARKETS

Dealers said that, aside from the

The discount rate on Treasury bills weakened, with the 90-day bills off four basis points to 5.36 percent, the six-month bills off two basis points to 5.39 percent and the new one-year bill down two basis

Before the bond futures rally, most activity at the time consisted

The cash government securities market is closed Monday for the Martin Luther King birthday holiday, and the Treasury's regular weekly auction of three- and six-

"Because the Treasury cash bond market will be closed Monday, some traders seeking to hedge their short positions over the week end did so in the futures market." said Frederick T. Leiner, senior financial futures analyst at Pruden-

"At the same time, futures traders who were short at the close hedged their positions as usual in the cash market, which is open

secondary market found the offered price of the 64 percent notes

notes Wednesday. The notes traded Friday on a when-issued basis at a price to yield 6.16 percent.

NEW YORK - Prices of government bonds posted their best advance of the week Friday after a the original 10-year revolving credstrong closing rally in the Treasury it in 1984, paying an annual facility bond frames market.

of the beliwether long bond, the 7.5

percent issue due in 2016, was up 17/32, at 102 3/32, to yield 7.33 percent, compared with 7.28 per-

sudden surge in bond futures prices, there were no significant developments to sway fixed-income debt either way. Neither the firming of the dollar nor Federal Reserve reports showing increases in industrial output and operating capacity had any effect on trading.

points to 5,42 percent.

which occurred in the final halfhour before the Chicago market closed, prices had been slightly higher on the day. Dealers said of squaring accounts before the three-day weekend.

month bills will be Tuesday.

tial-Bache Securities in Chicago.

As a result, late dealings in the

due in 1988 up 2/32, at 100 6/32, for a yield of 6.14 percent. The Treesury plans to anction \$10.25 billion of new two-year

| U.S. Consumer I | Rates |
|--|---------|
| Putthesk Services | Jan. 16 |
| Tex Exempt Sonds Sond Sever 35-Bond Index | 4414 |
| Money Alerket Funds Description's 7-Day Average | 241 % |
| Bank Money Market Accounts Bank Rafe Monitor Indias | 54% |
| Hacks Merisons, PHLB overage | 10.01 % |
| Source : New York Times. | |
| | |

EUROBONDS: Underwriters Avoid Risk Amid Dollar Market Turmoil

(Continued from first finance page) many institutional investors canonly purchase securities listed on an exchange.

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While spreads vs. Treasury yields in general have been rising, a margin of 85 basis points was con-sidered generous. The best evi-dence of this was the fact that the paper ended Friday trading at a discount of 1.15 points for a margin of 76 basis points over the Treasury

Although there was much praise, in principle, for County NatWest's construction of the issue, there was considerable displeasure expressed in the market about the actual operation — mining an issue that de-serves a thorough airing. For County NatWest to make

enough money from marketing the bond to cover the estimated \$2 million loss on providing the swap, the bank kept 60 percent of the issue for its own clients. This meant that if County was able to sell all of its underwriting at the issue price and cetain all of the 2 percent fees, it would have earned \$3.6 million. If it sold all of its underwriting at the closing discount of 1.15 points, the er than equally dividing the losses bank would have earned about \$1.8 on issues that are consistently unmillion (having kept 0.15 percent of derpriced.

talking about a collision of ideolo-

Competitors argue that County was greedy in keeping so much of the issue, and thereby the commissions, for itself, leaving ridiculously small amounts for the two co-lead managers and the 26 co-managers. The co-managers reportedly were offered \$3.25 million each.

Credit Suisse First Boston found this "monopolization" by the lead manager unacceptable and withdrew from the underwriting group. Other banks, which did not with-draw, complained loudly, albeit in the usual fashion, requesting ano-

The fact of the matter is that in swap-related transactions, the lead manager always comes out better than others. If the profit (hidden from the market) is carned on the swap, the swap provider gets to keep all of the gain. But building the profit into the bond at least gives co-managers, and ultimately investors, some share in the benefit.

Surely it makes sense for under-

of a share of a new issue co-managers should be entitled to. The answer would seem to lie somewhere between the 40 percent Morgan Guaranty took (without a murmur from the market) as lead manager of the successful \$250-million (non-swapped) five-year note for Sweden and the 60 percent County

took on the Belgian issue. The market will get another chance to debate this question this week, when Austria is scheduled to market \$200 million of 10-year stock at a premium of 7 percent (each 10,000 DM bond is convertible into nine bearer participation certificates). The bonds ended the

Some critics contended that the late Friday discount of 1.15 points on the Belgian paper was artificially low because underwriters, un-aware of the small allotments, had sold more bonds than they were given. This forced them to buy paper — bidding up the price — to satisfy the commitments they had

Most of those commitments appear to have been to Japanese investors. Ranks, tracing companies and industrial firms are believed to be massive borrowers of dollars and using the funds to buy dollar bonds. Profits are carned on the percentage-point difference between the lower cost of the bor- ended the week at 1041/2.

The question, then, is how much rowed funds and the higher return on the bonds as well as the poten tial capital gains to be made if U.S. interest rates continue to decline. Central banks were reported to

paper. Last week's hot issue was Julius Baer Bank & Trust's 150 million Deutsche mark, seven-year

bonds convertible into the bank's

week at a premium of 112 after hitting a high of 118.

The British clothing company Burton Group set a record low cou-

pon, at 4% percent, on a record high amount of £110 million of

bonds convertible into shares at a 9

request a premium cash redemp-

tion after five years for an effective

yield of 10 percent if the stock failed to rise in price. The bonds

chief economic problem in the United States, in the eyes of foreign investors and government officials, be big buyers of Sweden's five-year bonds, the maximum maturity that was an inability to control inflation. The chief worry now, the anaofficial institutions are usually willlysts say, is that the country is runing to accept By contrast, European investors We still have were big buyers of equity-linked

great confidence in Volcker and Baker to hold things together, but we wonder what will happen when they disappear?

— A British banker

ning by far the largest trade deficit in history.

percent premium. Investors were particularly attracted by the "put" option, giving them the right to A key question is whether investors in Europe and Japan, who last year put an estimated \$150 billion in U.S. government and private bonds and common stocks, to say nothing of investment in real estate and factories, will continue to pour so much money into the United

> "The trend at the moment is to go in for Deutsche marks, guilders banks. With the price of oil rising,

"We still have great confidence "to hold things together," he said.
"But we wonder what will happen

"This might restrict somewhat ation of the dollar could raise deprices are going down as the dollar falls. That could further sour relationships between the European Community and make economic policy coordination even more dif-

EDF Renegotiation May Show Market's Direction ity fees of 4 basis points for seven- front-end commissions to renegoti-

By Carl Gewirtz

PARIS — With banking supervi-sors getting tougher on banks' off-balance-sheet lending commitments and banks themselves wary about increasing such business, Electricité de France decided last week to renegotiate the terms on an existing backup facility rather than try to arrange a new \$1 billion line of credit

The French utility established was paying 15 basis points over the London interbank offered rate.

In today's market, these terms French government-owned compa-nies late last year were paying facil-

ments, makes loans of more than this money had yet been disbursed, \$16 billion a year to poorer coun- so its borrowers, whose loans are PARIS - The World Bank, regarded as one of the biggest partici-pants in the international swap The bank last week reported that cies matching the bank's own exposwap activity in the first six months sure, are not suffering from the of its fiscal year ended in December latest upheavals in the foreign-exmarket, expects to curtail its activi-

ty, according to the bank's treasur-er, Engene H. Rotherg. Currency swaps have slowed, he said in an interview, "because in-terest rate differentials have narrowed to the point where it doesn't

make much sense." The current volatility in exchange rates further clouds the in guilders by \$76 million. bank's assessment on whether there is any advantage to arranging a

swap, he said.

The bank's swap activity, conwerting fixed-rate debt into floating

money it borrowed during the first
half from an average 6.6 percent to
5.77 percent. rates or moving from high-cost to However, if the dollar remains low-cost currency, is simed at weak against these currencies, the achieving the lowest possible cost cost of servicing the debt in a curof borrowing so as to be able to reacy that is appreciating could charge the lowest possible rate on more than wipe out the advantage its own loans to developing countries. The rate is currently 7.92 perest than that charged on dollar

ent. debt.
The bank, owned by 151 govern- Mr. Rotberg said very little of

(Continued from first finance page)

United States was growing steadily

more valuerable economically and

that foreign-exchange markets

were reflecting this. Sooner or later, they said, the United States will

have to take strong action to de-feed its currency. Measures could

include raising interest rates or tax-

es sharply enough to threaten the

The danger is not just for the United States. A recession there

would reduce demand for goods

from Europe, Japan and other countries, including many debt-

laden Third World nations. Those

countries might then slip into re-

cession, too. A worldwide recession

would put serious strains on linan-

had to defend the dollar was during the late 1970s, when there also was a significant lack of confidence in

the currency and in the ability of

the U.S. government to manage its

economic and political problems.

Among other steps, the United States mounted dollar-rescue pack-

ages that included sizable increases

Seven or eight years ago, the

interest rates.

ar economic expansion.

obligation ever to draw the loan. However, the amounts of those

credits were much smaller and INTERNATIONAL CREDIT

most bankers doubt that a jumbo loan could succeed in today's market and certainly not with pricing regarded as aggressive.

Thus, rather than risk running into banks' resistance to a \$1 billion commitment, EDF is asking half, 7½ basis points for up to finland's government-owned three-quarters and 10 basis points chemical group, Kemira Oy, aptighter than it paid up to now but a form more than that. The fees on the pointed Kansallis-Osake-Pankki, fee of 0.1 percent, or 10 basis banks to accept terms that are points. In addition, EDF was required always to have in use at least touch more generous than the existing loan ranged from 15 to 35 16 percent of the credit, on which it smaller loans recently marketed.

The maturity will be unchanged, leaving seven and a half years to response as this will give a clear run. The annual facility fee will be indication of where the market is look outrageously generous. halved to five basis points. Howev- heading. It is assumed that a numer, EDF's total cost will come much ber of smaller banks will use the closer to what new loans cost as the opportunity to drop out of the syn-

World Bank Plans to Curtail Swaps

At the same time, the bank in-

creased through swaps its debt de-nominated in Swiss francs by \$664

million, in Deutsche marks by \$287

million, in yen by \$248 million and

As a result, it was able to reduce

the cost on the \$4.64 billion of

CONFIDENCE: Europe's Faith in U.S. Is Sagging

And with the United States so de-

pendent on foreign capital to cover its international deficits, "you

What it took four

years to put wrong

years to put right.'

Former Bank of England

don't have to have all the Japanese

investors leave, just those at the

John Sangster, a former senio

official at the Bank of England who

handled the bank's foreign ex-

change matters, expects the indus-

trial nations to "middle through," but he expects great strains while

"I am sure the market will under

shoot on the dollar," he said.
"What it took four years to put

wrong will take four years to put right... In the meantime, we will

have an excuse for protectionism

The changes a week ago in the European Monetary System, most-ly a small upward revision in the

value of the mark, were not enough

to stop the flow of money out of th

dollar and into the mark. Mr. Sang-

ster said he believed there was

in the dollar, "particularly given the way the market has behaved in

the last few days."
Moreover, he believes "the dollar

still will fall until action is taken on

the U.S. fiscal deficit. Where we

have had devaluations to be suc-cessful" in reducing trade and oth-er international deficits, "they had

to be accompanied by strict and

sometimes overstrict fiscal poli-

Fed officials, however, worry

that a such policy would lead to recession. Mr. Volcker has been

outspoken in urging Bonn and To-kyo to stimulate their economies as

Japanese are responsive to our arguments," a Fed official said. "But they are running a very risky game.

They are not very aggressive in a policy sense. They are remarkably

content with the way things are,

and they have no big urge to grow

Mr. Reid, of Phillips & Drew,

said such an urge could arise if the

"Intellectually, the Germans and

an alternative.

faster.

"substantial risk" of a sharp drop

and cause even more troubles."

they do so.

- John Sangster,

will take four

by \$568 million.

had reduced its dollar borrowings change market.

year commitments with no ate the loan are about half what it about 70 banks. But it is also as-

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Paying an annual fee of five basis million to its total interest charge, but the lower one-time fees of 3½ basis points instead of around 7 basis points represent a saving of about \$3 million

Utilization fees will crumble to 21/2 basis points over Libor for drawing up to one-third of the Enskilda Securities to market up to amount, 5 basis points for up to \$100 million of short-term paper. basis points over Libor.

Bankers are eagerly awaiting the response as this will give a clear cy units.

denominated in a basket of curren-

Had that money been disbursed.

Mr. Rotberg acknowledged, clients

would be worse off in having to pay higher debt-servicing charges than if the bank had kept the bulk of its

own borrowing and lending in U.S.

Rotherg said that it is not suffering from the swap activity. Its liquid

assets in currencies other than the dollar total the equivalent of about

\$6 billion, an amount that far ex-

ceeds the total swaps arranged by

In all, cash and liquid invest-

ments amounted to \$20 billion at the end of December, on which the

bank was carning an average 8.44

as much as some forecasters expected this year. Moreover, an appreciating mark has forced West

German exporters to accept steadi-

ly smaller profit margins as they

resist raising prices to hold onto their market shares in other coun-

tries. Soon, Mr. Reid said, they will

have to raise prices and begin to

lose sales, just when the domestic market is also weakening. But there is nothing the Germans

can do alone, or in combination

with the Japanese, that will restore confidence in the dollar. Analysts

in Europe see the Reagan presiden-cy weakened for the rest of his

term. Even if the U.S. trade deficit

begins to fall, as most forecasters

expect, it, like the budget deficit,

- CARL GEWIRTZ

the bank.

lar-denominated assets, he said. West German economy weakened

percent interest

As for the World Bank itself, Mr.

would have to pay for a new loan. sumed that the Japanese banks, which underwrote only 20 percent points rather than four adds \$6 of the original facility, will be pre-

pared to increase their stake. Tapping the Eurocommercial paper market without seeking spe-cific new commitments for backup credit lines is ASEA Capital, the financing arm of Swedish manufacturer ASEA AB. It has appointed Enskilda Securities to market up to

Morgan Stanley and Citicorp to market up to \$100 million of CP or the equivalent in European curren-

British Printing & Communica-tion Corp. named Hill Samuel to market up to £100 million of CP.

In the syndicated loan market, Northeast Savings of the United States is seeking to raise \$100 mil-lion through a five-year collateralized credit. The loan will be backed by federal mortgage certificates and other mortgage-related assets, giving the debt a triple-A rating. Lenders will be paid a margin of % point over Libor, a commitment fee of 15 basis points on any undrawn amounts and front-end fees ranging up to 25 basis points.

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INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric international Positions.

| TITLE | SALARY | EMPLOYER |
|---------------------------------|-------------|--|
| SEMIOR FINANCIAL ANALYST | Competitive | Abu Dhabi National Oil Co. |
| SENIOR ACCOUNTANT | Competitive | Abu Dhabi National Oil Co. |
| MATERIAL CONSULTANT/ ADVISOR | Competitive | Abu Dhabi National Oil Co. |
| CHIEF EXECUTIVE OFFICER | | Int'l Multi-Million \$ Direct Marketing Company. |

If you haven't seen last week's INTERNATIONAL POSITIONS rubric. please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neutily Codex, France. Tel: (1) 46.37.93.81. Telex: 613595

SOVIET: Despite Overtures, Western Companies Skeptical on Joint Ventures (Continued from first finance page) same business culture. Here, you're

On the Soviet side, however, the enthusiasm seems real enough. Acet cording to Westerners, hundreds of American, European and Japanese intent to enter joint ventures. companies have been invited to

submit proposals. Joint ventures have been touted in the official to team up with Soviet partners to repatriate profits. to team up with soviet partners to repain and is carried oil from already tapped oil. Soviet officials have increasingly also discussing a fertilizer venture.

SSMC Inc., formerly Singer Sew that country markets, in order to Soviet Union.

Inc. hard currency profits of West-amount of currency the joint ventures amount of currency the joint ventures bank was less sanguine. "In the back of everyone's minds is protectionism," he said. A further devaluation of the currency profits of West-amount of currency the joint ventures bank was less sanguine. "In the Soviet Union.

Soviet officials have increasingly amount of currency the joint ventures bank was less sanguine. "In the Soviet Union.

Soviet officials have increasingly amount of currency the joint ventures bank was less sanguine. "In the back of everyone's minds is protectionism," he said. A further devaluation of the currency profits of West-amount of currency the joint ventures bank was less sanguine. "In the back of everyone's minds is protection." press and at international trade meetings as a way of raising the

quality of Soviet products to "world quality," increasing exports and upgrading industrial technoling machines at a factory in Orsha, According to a senior Soviet trade official, Yuri A. Kislenko, the Soviet Union will offer partners in these ventures several years of taxcoming law permitting individuals Victnam? The real plum is the Sovifree operations, independence from the centrally planned econo-

my, and freedom to experiment in such Western management echniques as incentive pay scales. the Ministry of Foreign Trade on a and will test the waters for large-high-level government committee that is working out the terms of that is working out the terms of joint ventures, so-yiet officials say they are especially viet officials say they are especially officials say they are especially interested in chemicals, pulp and details remain to be worked out.

To spine their misgivings, West-best officials say some companies may be as grown. A further loss of confidence in the dollar "could trigger and will test the waters for large-chimes in the Soviet Union and take out its profits in hard currency. More recently, these sources said, able plunge simply to get a foot in ventures, concedes that many interested in chemicals, pulp and details remain to be worked out. Mr. Kislenko, who represents details remain to be worked out.

But he insists that under the Soviet paper, food processing, and almost company that the venture will have and yen," said a senior official at to generate its own hard currency one of London's larger merchant trade bureancracy has unprece-trade bureancracy has unprece-Under a new law, which the So-

mental contracts with Western viet news service Tass said last ready the market leader.

Tuesday had taken effect on Jan. 1, SSMCs fears appeared to be Two U.S. companies in addition foreigners can own up to 49 percent to Monsanto have signed letters of of the means of production, share in management of a predominantly Occidental Petroleum has agreed Soviet work force and be entitled to

ing Machine Co., has signed up to generate hard currency. This gives produce home and industrial sew-many Western companies pause.

"What markets can the Soviet in the Republic of Byelorussia. De- Union deliver that Western compamand for the machines is likely to mes don't already reach?" asked a double, officials say, under a forth- commercial officer. "Afghanistan? to set up small enterprises like et market, and it's not at all clear that will be open." home sewing.

Western and Soviet officials say

According to Western business

these three agreements, and per-sources who declined to be named, haps a few more, will be negotiated SSMC was originally told it could in detail over the next six months, sell its Soviet-American sewing ma-

by selling to markets outside the Soviet Union, where Singer is al. sterling could attract new money,

confirmed last Tuesday when addi- in Paul Voicker" and the U.S. Treational details of the new joint ven-ture rules were published in the "to hold things together," he said. Soviet press. One rule provides that the hard currency profits of West- when they disappear?"

the number of Western firms striv- mands for new barriers for ing to participate in the creation of American-made products, whose a joint enterprise on the territory of the U.S.S.R.," Tass conceded. Said one Western diplomat, The people who are pushing this

within the government have sold it

as a vehicle to address the use the in hard corrency. To the extent that's what it is based on, it's going particularly among Japanese investors the recognition of the possibilities. as a vehicle to address the decline Despite their misgivings, West-

ty of a sudden collapse of the dollar

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U.S., EC Meet in Geneva, **Preparing for Trade Talks**

WASHINGTON - U.S. and European Community negotiators are meeting in Geneva to discuss ways of settling a bitter dispute over \$400 million worth of lost U.S. com and sorghum sales to Spain. The Geneva talks are aimed at paving the way for a crucial meeting in Washington on Friday and Saturday, when senior ministers will try

The principal issue is how much grain the EC is willing to import each year to compensate the United States for the access to Spanish grain markets that it lost when Spain joined the EC on Jan. 1, 1986. In December, the EC offered to import 1.6 million metric tons (1.76 short tons). The United States had demanded that it take 4 million metric tons. Washington then announced retaliatory tariffs to take

to agricultural products, he said.

Representatives of 10 major agricultural producers and consum the so-called Morges group named after the Swiss village where diplomats have met in the past, are to meet Monday to discuss ways of

Efforts to set an agenda for talks under the General Agreement on Tariffs and Trade broke down in December because the United States and EC could not agree how to proceed.

STEEL: Union, USX Reach Pact

(Continued from first finance page) of unemployment benefits being paid to 90 percent of the idled workers were about to expire. It could give USX time to capture a share of steel orders in the second quarter, traditionally the industry's

The tentative agreement also came less than two weeks before directors of USX, formerly United States Steel Corp., were expected to review proposals for restructuring the company. They are scheduled to meet Jan. 27. The restructuring may involve overhauling USX's USS steel division.

Although final details were withheld, sources close to the negotia- ployees can be recalled. tions said the proposed contract included wage and benefit reductions and provisions for restoring mid-December as a mediator because the concessions by the time the new contract expires. The union had earlier refused the company's demand for such concessions.

mid-December as a mediator because he had arbitrated labor discontract expires. The union had earlier refused the company's demand for such concessions.

to resolve the dispute before punitive trade reprisals begin at the end

The U.S. trade representative, Clayton K. Yeutter, Agriculture Secretary Richard E. Lyng and the EC's external trade commissioner, Willy de Clercq, and agriculture commissioner Frans Andriessen will attend the Washington meeting.

In Geneva, representatives from both sides hoped to discuss the

text of a draft agreement that could form a basis for bargaining, an EC official said. EC representatives would also discuss whether to include industrial products in the negotiations, which so far have been limited

The talks on the EC-U.S. dispute are likely to overshadow the original reason for the Geneva meeting, which was to discuss how to start a new round of global negotiations on agricultural trade.

It was not disclosed how long the contract would run.

The tentative agreement was also reported to include some restrictions on hiring outside contractors to do mill work, traditionally done by union workers, the sources said. The union has charged that "contracting out" has enabled USX to cut costs while eliminating union

Sources said the tentative settlement included job reductions, although the amount was not known. Pensions will reportedly be offered to two older workers for each job cut so that younger laid-off em-

Mr. Garrett, 75, was chosen in mid-December as a mediator be-

International Bond Prices

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(Continued from Back Page)

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EUROPEAN COMMUNITY

U.S. to Replace Envoy With White House Aide

By Peter Maass

مندامن الأمل

onal Herold Tribune International Herald Tribune
BRUSSELS — In an unexpected reshulfling, the White House plans to replace its top envoy to the Euro-

U.S. officials say William J. Middendorf 2d, U.S. ambassador to the EC, is returning home after 18 months on the job. He will be succeeded by Alfred H. Kingon, who has worked in the White House since 1985 as a presidential aide and secretary of the cabinet.

Mr. Kingon, 55, was an assistant secretary of commerce for international economic policy in 1983 and 1984, then assistant secretary of the Treasury for policy, planning and

His sudden appointment surprised a number of officials in Brussels. "It caught us completely off guard," said a diplomat in the U.S. mission to the EC. "We had no idea it was coming

Sources in Washington and Brussels said the change in the key diplomatic post did not herald a policy shift by the Reagan administration. Rather, they indicated that

Washington was not pleased with Mr. Middendorf's performance.

Before being named to the Brussels post in July 1985, Mr. Middendorf was U.S. ambassador to the Organization of American States, Officials in Brussels said Mr. Middendorf, 62, had not yet decided on his next job.

The diplomats confirmed that

Washington asked the EC last month for preliminary approval of Mr. Kingon as the new envoy. The EC's green light is expected to come in a few weeks, after which Mr. Kingon is to be formally nomianted by the White House.

He then faces confirmation bearings before the Senate Foreign Relations Committee, followed by a full vote of the Senate. It might be several months before he arrives in

The U.S. ambassador to the EC has a staff in Brussels of 35 diplomats, who follow community affairs and serve as a key link be-tween the EC and Washington. The ambassador does not set U.S. policy, but he participates in all high-level Brussels meetings and has dai-ly contact with top EC officials.

Tindemans Cantious On Mideast Peace Bid

A wary EC is considering an attempt to belp restart the stalled Middle East peace process. Belgium's foreign minister, Leo Tindemans, whose government just started its six-month EC presiden-

meeting of community foreign ministers would be held to discuss the Middle East. Mr. Tindemans said no date had

plunge head-first into the Middle East quagmire. However, he said the current "lack of concrete [peace] proposals creates a situa-

tion that is not without dangers." "Europe must now seriously analyze the situation - what can, or what should, Europe do?" he said. In particular, he said, the EC must consider whether the Iran arms-sale affair in the United States has damaged Washington's credibility and influence with Arab

countries. And he left the door

open to visiting the Middle East on behalf of the community. "I am skeptical of fact-finding missions," he said, "but if visits can help nourish something, I will do it.

won': hesitate." The cautious language of Mr. Tindemans, a former Belgian prime minister, seemed to reflect the slim chances for success of such an initiative. He also appeared to be try-ing to counter concern that Belgium, seeking a triumph during its EC presidency, would rashly ven-ture into the Middle East without

Delors Visits Capitals

With Budget Proposal Jacques Delors has begun his quest for a long-term accord to save

the community from bankruptcy.
The EC Commission president left Jan. 10 for Rome, the first stop of a tour of the 12 community capi-tals for special budget talks with government leaders. The last stop is to be Bonn, on Feb. 13.

Mr. Delors is presenting the leaders with the commission's long-awaited plan for overhauling community finances. At last count, the EC was beaded this year for a defi-cit of at least 2.5 billion European currency units (\$2.2 billion)

The commission's proposal contains three main elements, sources said. It reportedly calls for replacing the community's VAT-financed payments system with one based on a country's gross national prod-

Second, payment of farm subsidies would apparently be altered to provide for separate budgets for such as cereals and milk. The burden of paying for overspending in one sector would not fall on other SECTIONS.

Third, the commission is said to be urging a change of the EC's structural funds, which are simed at funncling development aid to the poorer member states, mainly those in the south.

Mr. Delors held talks last week with the Italian, Belgian, Portu-guese and Spanish leaders. This week he is to meet with the government heads of Luxembourg and been set, and he cautioned against France. His proposals will be for-speculation that the EC would mally unveiled after his tour ends.

Wall Street Review

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DENNIS THE MENACE

"MY TEACHER SAID I WAS 'UNKEMPT! WILL YOU GET ME KEMPTED TOMORROW?"

JUMBLE THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee SWYNE TAVIL TYRRAM RICHER THAN OTHERS WHICH PROVES THAT WEALTH MAY BE VEECAL

Print answer here: 44 Jumbles: TONIC CHASM PARLOR RADIUS Answer: The agotist found fault with everything except this — HIS MIRROR

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SPORTS

SPORTS BRIEFS

Three Indoor World Track Records Are Set

LOS ANGELES (Combined Dispatches) - Greg Foster set a world record in the 60-meter hurdles an international track meet here Friday night. Meanwhile, in Simmerath, West Germany, Carlo Thraenhardt set an indoor high-jump best of 7 feet, 101/2 inches (2.40 meters), and in Indianapolis Ken Lowery lowered the 500meter standard to 1:00.17.

Foster, running through what appeared to be a false start, finished with a time of in Pfronten, West Germany, Cath-7.36 seconds to better the mark of 7.47, set by Mark McCoy last year. Thraenhardt's erine Quittet of France posted her jump broke the record of 7-10, established by West German compatriot Dietmar Mogenburg last Feb. 24, and Lowery's clocking bettered the mark of 1:00.86 set by Clarence Daviel in 1006. Clarence Daniel in 1986.

Langer Coasts to 1-Shot Lead in Hope Golf

LA QUINTA, California (AP) — West German Bernhard Langer coasted to a 2-under-par 70 Saturday for a one-stroke lead over Mark Calcavecchia after four ounds of the Bob Hope Classic golf tournament.

Langer sandwiched birdies on the first and 18th holes around 16 consecutive pars at Bermuda Dunes, giving him a 72-hole total of 272, 16 shots under par, after one round on each of four desert courses.

Calcavecchia, also at Bermuda Dumes, finished 66/273. Corey Pavin (a 66 at Indian Hills) and Jeff Sluman (a 67 at Tamarisk) were at 274; it was another two strokes back to David Edwards and Willie Wood. Second-round leader Andy Bean had a 72 at Bermuda Dunes and was at 278.

On Friday, Langer had shot a 68 at the testing PGA West course — the site of Sunday's final round — to take a 3-stroke lead after 54 holes.

Solution to Friday's Puzzle PANCAKE LAYETTE ASKEW SKYE ALAN ARTE RECLITE STROKE ECOLE PEACEPIPE OTHER ERNE ODIN PIANO AREA RENT EMMET

Espinoza Wins Title

PHOENIX, Arizona (UPI) - Louie Espinoza won the vacant World Boxing Association jumor featherweight title Friday night with a fourth-round technical knockout of Tommy Valoy of the Dominican Republic. Espinoza knocked Valoy down early

in the fourth and then pinned him to the ropes with a flurry of punches. Referee Enzo Montero of Venezuela stepped in to end the bout 1:52 into the round. Espinoza, 24, was the WBA's top

contender, he signed to fight Valoy after former champion Victor Callejas twice backed out of scheduled bouts against Espinoza. The WBA stripped Callejas of his title in December.

Wasmeier and Quittet Ski to Surprising Victories Wasmeier, who is to defend his 1985 giant slalom gold medal at the World Championships that begin took force of the force

Compiled by Our Staff From Dispatches WENGEN, Switzerland - Giant slalom champion Markus Wasmeier of West Germany upset the favored

WORLD CUP SKIING

Swiss on Saturday by winning his first World Cup downhill race, and



Catherine Quittet, skiing to and in 1:17.92, with team her first World Cup victory. rina Kiehl third with 1:18.37.

World Championships that begin took four of the top seven spots in Jan. 25 in Crans-Montana, Switzer-Friday's downhill at Pfronten. land, clocked 2 minutes 29.62 seconds on the smooth, 25-mile (4kilometer) Lauberhorn run, which dropped 3,371 feet (1,027 meters) into a postcard-perfect valley in the Eiger glacier area of central Switzerland.

Karl Alpiger of Switzerland fin-ished second, in 2:30.71, with teammate Franz Heinzer third in 2:31.17. Swiss ace Pirmin Zurbriggen, a presace favorite, was a disap-pointing minth, timed in 2:31.55.

"Nothing went right for me from the beginning today." Zurbriggen said. "But Markus is a super skier and he carned his win."

Despite his poor showing, Zur-briggen atop both the cup overall and downhill standings. Wasmeier advanced from fifth to second place in the downhill stand-

ings. Zurbriggen has 95 points, Wasmeier 83 and Heinzer 82. Wasmeier remained in second place in the overall standings, with 57 points to Zurbriggen's 172. The West German clocked an course.

average speed of 60 mph (97 kph), gaining time on his opponents in the slower middle stretch of the "I flew incredibly far on the

jumps," he said. "I was going in-credibly fast today." It was Wasmeier's third victory this season, and his sixth in World

In Pfronten, Quittet, 22, clocked 1:17.40 through the difficult Brei-temberg course, which dropped 430 meters through 37 gates. Traudi Hächer of West Germany was sec-

Although the cup circuit has been dominated by the Swiss for much of the season, the best they could man-age Saturday was Vreni Schneider's sixth-place limish of 1:18.67. Mania Walliser of Switzerland, the leader of the women's overall standings, struggled to a ninth-place finish, ber WORST this season.

Three Canadians finished among the top 10: Liisa Savijarvi in sev-

Svet of Yugoslavia was fourth, with Michaela Marzola of Italy fifth. Hischer's second place was her

Tom Joseph Kh

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best finish since she injured a knee pear the end of last season. "I knew that if I could only make it through the first few gates that I had a chance," she said.

Quittet moved to eighth in the overall standings with 105 points. She and Walliser shared the top spot in the super grand slalon standings, with 57 points each. Schneider was (UPL AP)

Swiss Win Both Slaloms

BISCHOFSWIESEN, West Germany — Maria Walliser skied to a convincing victory Sunday in a women's World Cup giant slalom race in which Swiss teammates took the next three spots, while in Wengen, Switzerland, compatriot Joël Gaspoz won his first World Cup slalom with a skillful performance on the steep Lauberborn

Walliser, 23, who is leading the women's overall standings with 229 points in her bid to retain that title, was clocked in 2 minutes 19.24 seconds for two runs on the Götschen Course. She finished 2.16 seconds ahead teammate Vreni Schneider, who was four-hundredths of a secand ahead of Brigitte Oerth and one-tenth of a second before

fourth-place Zoe Haas. Mateja Svet of Yugoslavia was fifth, timed in 2:21.70.

Gaspoz, 24, won with a com-bined time of 1:36.86 seconds on a course with a 155-meter (168-yard)

tria was second, in 1:37.40, with Bojan Krijaz of Yugoslavia third in

Didier Bouvet of France was a close fourth, in 1:37.46, while fifth place was taken by Swedish ace Ingemar Stenmark, with a time of

Gaspoz had the fifth-best clocking, 50.60 seconds, in a first run. flagged with 57 gates. He had the best time, 46.26 seconds, on

second run, through 55 gates. He moved from fifth up to third place in the overall cup standings, behind countryman Pirmin Zurbriggen and Markus Wasmeier of

West Germany. Of those who skied in the second.

leg, 13 were eliminated for missing leg, 13 were eliminated for missing gates when they lost their balance.

Among the casualties were defending World Cun champion Marc Girardelli of Luxembourg, Rok Petrovic of Yugoslavia and Andreas Wenzel and Paul Frommet, both of (UPI, AP)

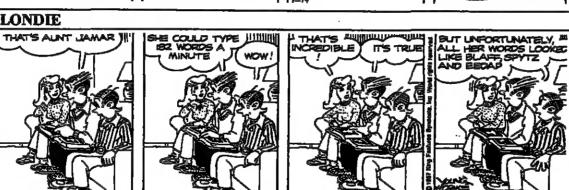
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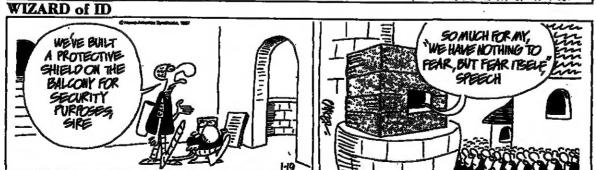


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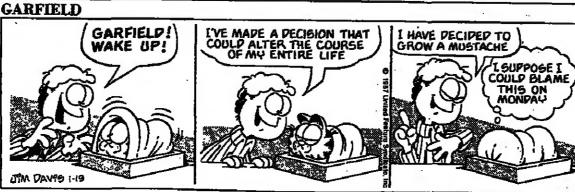






REX MORGAN





WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

The Amsterdam Stock Exchange staged a modest recovery last week, as the ANP-CBS general index held firm at 271.1, against 271.3 the previous Friday.

Total turnover rose from 4.8 billion guilders to 6.23 billion.

Stockbrokers at the Amsterdam firm Kempen & Co. said they were moderately optimis-tic for the market this week. They said the rising trend should soon be confirmed, notably because of falling interest rates and a bottoming out in the dollar's slide.

Frankfurt

The Commerchank index gained 14.9 points to reach 1,928.4 on the Frankfurt stock exchange last week. Investors remained active despite turbulence on exchange markets and a strong Deutsche mark, which penalized West

German exports... Volume of transactions came to 2.29 billion DM, up from 2.08 billion the pr Department stores were well supported. Karstadt gained 2.10 DM to reach 462.10, while Horten finished 11.80 DM stronger at

Hong Kong

The Hong Kong stock market opened strongly Monday before suffering moderate sethacks later in the week in what dealers said was a correction after surges in the past two

Despite buying frenzy Monday that pushed the Hang Seng Index up 53.14 points to a record 2,614.87, the index closed the week at

record 2,614.87, the index closed the week at 2,542.57, down 19.16 points from a week earlier. The Hong Kong Index declined an almost identical 19.17 points to close at 1,621.81.

Dealers said Monday's bull rum was spurred by the partial acquisition by an Australian businessman, Alan Bond, of a local commercial television station, Hong Kong Television Broadcasts I.td. Broadcasts Ltd.

Daily average turnover dipped to 1.23 bil-lion Hong Kong dollars, down from the previ-ous week's 1.3 billion dollars.

London

Severe weather failed to discourage a surge in share prices over the past week on the London Stock Exchange. The FT-SE 100-share index established re-

cords on four consecutive trading days, closing Friday at 1,789 points compared with 1,752.3 the previous week. The FT 30 index closed up 16.6 points on the week at 1,403, just off its all-time high of 1,425.9 points established in April last year.

Hopes of tax cuts and lower interest rates, the prospect of an early general election and Wall Street's persistent strength fueled rises in

most sectors.

Oils were particularly strong as cold weather pushed crude prices to their highest for 12 months. Heavy demand was noted for BP, Britoil and Shell, while British Gas rose to its highest since denationalization late last year. highest since denationalization late last year.

Insurances, in contrast, fell victim to nervous selling on fears of substantial claims arising from the bad weather.

Milan

Milan's COMIT index rose by 2.09 percent to 729.46 points last week, canceing out losses caused the previous week by the crisis in the European Monetary System.

Trading volume was high with 208 million shares changing hands, against 109.6 million the previous week, as the bourse's monthly accountancy period fell due.

Analysis said that the market was still susceptible to fluctuation from rumors about our

ceptible to fluctuation from rumors about currency movements.

They said they expected a more accurate picture of long-term trends by the end of the month, when two finance houses, Credito Italiano and Agricola Finanziaria, turn to the market to increase their capital.

Paris

Prices on the Paris Bourse advanced 2.5

percent last week, with the CAC index moving up to 417.5 from 407.2.

A revaluation of the Deutsche mark in the European Monetary System and a resolution of linguing labor disputes left investors in buoyant spirits. Trading for the week totaled 50.69 billion frances, compared with the previous week's 41.922 billion.

Analysis are now looking for lower interest.

Analysts are now looking for lower interest

rates in Japan and Europe and are waiting for

West Germany to make the first move. In France, interest rates are seen as having considerable capacity to decline after having been raised to defend the French franc.

Investors have been heartened by the perspective of a pronounced improvement in corporate results, with some analysts putting the linke at 15 percent to 20 percent this year.

Singapore

There was strong buying interest in the Singapore stock market last week, with attention focused on blue chips and Malaysian-based

plantation counters. The market stagnated for a while midweek but dealers and speculators saw this as a healthy sign as it offset some beavy purchasing

earlier in the week. Toward the end of the week, particularly on Friday, Malaysian plantation stocks, which had been neglected recently, were somehi, and nany chalked up signifi brought the average daily turnover to 42.86 million units, against 27.06 million the previ-

The Straits Times Industrial Index, which touched a 29-month high of 957.97 on Wednes-day, fell back to 949.91, for a gain of 24.39

points for the week.

Tokyo Share prices on the Tokyo stock market

closed out the week at record highs. The 225-issue Nikkei stock average, a 99.06-yen winner the previous week, posted a 339.27-yen weekly gam to close at 19.149.63 yen, topping the previous record of 18.936.76 yen set Jan. 6.

The TSE index of all issues listed in the first section hit 1,639.53 points, surpassing the record set Jan. 6 of 1,593.62. The market was closed Thursday for a patiental heliday.

closed Thursday for a national holiday.

Many institutional and corporate investors who had stayed on the sidelines for some time returned to the market Wednesday and Friday amid persistent rumors that the Japanese and West German central banks would lower discount rates to check a further rise of their

currencies against the U.S. dollar.

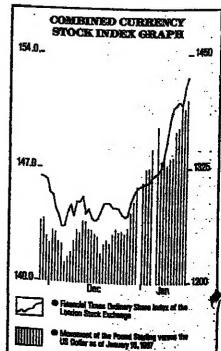
Market analysts predicted more records this week, but some warned that the Bundesbank meeting this Thursday would be the key.

Zurich

Share prices lost ground last week in response to the depreciation of the dollar and what was described by specialists as a feeling of insecurity in the market.

The Credit Suisse index finished Friday at 554.6, down from 556.9 the previous week. Specialists said the trend in the coming week would depend on the direction taken by the dollar, but they noted that a continuing surge on Wall Street could exert a positive influence in Zurich.

In foods, Hero, which is being sought by the multimational Jacobs-Suchard, rose 550 Swiss frames to 4,500, after its quotation was suspended Wednesday and Thursday in the face of strong speculation.



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Stripes' Has New Zealand Against the Wall

Conner Wins by 3:38; Kiwis Trail, 3-1, Call for Time-Out After 'Disaster Day'

By Angus Phillips Washington Past Service FREMANTLE, Australia — For three and a half months, New Zealand built a record of umparalleled efficiency on the water in its first America's Cup campaign. On Saturday, the walls came crashing

We had what we call a disaster day," said skipper Chris Dickson. "We're just happy to have the boat back in one piece and all II men

But he wasn't happy about the 3-minute, 38-second thrashing at the hands of Dennis Conner's St Stripes, which leaves New Zealand down by 3-1 in the best-of-seven final series to pick a cup challenger. Meanwhile, in the defender finals. Kookaburra III continued its domination of Australia IV with a 2:06 victory that produced a commanding 3-0 lead in the best-of-nine series

to pick a defender (see story, below). The New Zealanders called for their second and last lay day on Sunday to regroup, to install a new mast, to decide on a new mainsail and to try to find a way to stay alive in a regatta they had been favored to win only four days previously.

Much went wrong on a wild day of big winds and six-foot Indian Ocean seas, but most of the probans were traced to one ma mil-up at the end of the second leg. zen New Zealand's hopes of a op triumph went out with a bang, not a whimper.

New Zealand trailed by half a minute at the time and was having minor gear problems as it sped downwind under a ballooning maker in 25 knots of wind.

As the New Zealanders approached the second turning mark, a zipper on the mainsail stuck open, making the sail too full, and a man was aloft trying to zip it shut. When the job took too long, the crew wound up barreling down to the buoy unprepared to donse the spinnaker and still maneuver around the buoy under control.

"The only thing I can call it is a crash jibe," said Dickson of what happened next - when the 25bot-long (7.62-meter) alum boom at the bottom of the mainsail come flailing across the deck out of control as the boat turned sharply before the wind.

'Crashing uncontrolled under a tremendous load, the boom and Zealanders were to fit a new one.

mainsail knocked out electronic in-

that holds the mainsail up and bent

New Zealand was in chaos, "We were happy to have a rig [mast] in at all," when it was over, said Dick-

Crippled, New Zealand went imping into the wind up the third leg with sails flapping and broken rigging flogging crazily, while Con-ner's crew opened a decisive lead. It was an uncharacteristic foulup, for New Zealand has boasted

AMERICA'S CUP

the best crew work of any team all season after spending nine months practicing here. What went wrong?

"They looked nervous out there," said Tom Whidden, tactician for Stars & Stripes. "Maybe the Maori dancers trying to put a spell on us this morning backfired

Indeed, it had been another morning of unbridled excitement around the New Zealand dock, where thousands gathered to see the boat off, including 20 native New Zealand tribesmen in a Maori war canoe chanting a direc.

But as it turned out, Conner's team suffered not a whiff of trouble, sailing effortlessly through the heavy winds, which topped out at 28 knots, in their smoke-blue yacht. Meanwhile, the New Zealanders had more bad lnck coming.

Ten seconds after they crossed the finish line, their mainsail exploded as a seam gave way under

The mess took half an hour to clear. The tattered sail was stuck in the hoisted position, but because of the earlier damage there were no lines to hanl a man to the top to get it down. Dickson said that after much consultation, "We decided there was no safe way to do it, so we looked around for volunteers" and sent bowman Earle Williams aloft.

climb up the 90-foot mast, going the last 25 feet hand-over-hand with no support.

At top, hanging by one hand and two legs, he backed the head of the mainsail off with a pocketknife until the tatters came tumbling to the

The crash jibe bent and ruined the mast, so on Sunday the New They were also to work on repair-

The last-minute fixes should do Saturday night and look around, nothing for Dickson's confidence but the move backfired when one entering what could be his final race of the 1987 cup.

His confidence may already be on the ebb. "The way the Kiwis sailed today was very very curi-ous," said Whidden, who expected them to attack Stars & Stripes aggressively after they won the third race of the series Friday on the strength of superior tacking and

But on Saturday, Dickson allowed Conner a clear path at the starting line, and the California skipper sped out to clear air.

Dickson let it become a drag race nstead of a tactical duel, playing to Conner's strength.

Halfway up the first leg. Whid-den turned to his skipper and said: We've got 'em, as long as we don't

for the poor performance, but Con-ner, relieved to be in a commanding ition in the series, said happily: That's quite all right."

Barring a complete turnaround,
Conner seems assured now of getting his chance to win back the cup. In 1983, he was the first American

to lose it, when his Liberty fell to Australia II. In a celebratory move, Conner

unscrupulous guest used the oppor-tunity to try to sneak a glimpse under the security shroods at Conner's secret keel.

Whidden caught the interloper in the act, grabbed him by the scroff of the neck and threw him out, saying: "You're out of here,

Surprisingly, Dickson confirmed that the New Zealanders, if they are eliminated, are inclined to help the Australian defender prepare for the cup races against Conner, rather than offering aid to Stars &

Historically, challengers he one another and defenders help each other gear up for the cup fin-als. But Dickson said his syndicate chiefs think it would be in their interests, if the New Zealanders don't win, for the cup to remain in the Southern Hemisphere, where New Zealand can mount another moderately priced challenge in

minated, he would offer his help to the New Zealanders, as is the tradition.

Conner wouldn't say so, but othexs in his camp said the New Zealanders could provide valuable information to an Australian invited fans clustered around the defender about Stars & Stripes'



in Earle Williams went precariously aloft on Saturday to hack away at the head of New Zealand's shredded a

Australia IV Has Lost Its Advantage in Heavy Air

Compiled by Our Staff From Dispatches FREMANTLE, Australia — Ita loss Saturday in the kind of weather in which it has prospered all season gave weight to the theory thing was done to Austraha IV's hull or keel during the recent break between trials to slow it

"You have to figure Australia IV oked around for volunteers' and is going slower," said John Mar-ant bowman Earle Williams aloft. shall, design chief for Stars & Williams took several minutes to Stripes, the top challenger contend-"Kookaburra III wasn't out of the water long enough for anything major to be done to her to improve

that much.

Marshall's theory is that some minor change to the wings on Australia IV's keel has fouled up its performance, and now that the final series is started the boat is stock with it, since regatts rules forbid

mainstal shocked out to transom and the mast, clipped off the mast, clipped off the backstay that helps support the mainstal, which was Dickson's farmast, broke the masthead crane worite.

With the first starts & Stripes and Kookaburtan and pick a replacement for the mainstal, which was Dickson's farmast, broke the masthead crane worite.

fast Kookaburra is. "I'm going to stretched it to 1:12 by the third have to do some work on that," he mark.

On Saturday, Kookaburra III handled breezes up to 28 knots with surprising ease; Australia IV throughout the season has been sharply competitive with Kookaburra III and has held an edge in heavy air. But now, after three straight losses in winds from 16 to 28 knots. Australia IV seems to have no advantage in any condi-

"The races have become drag races, and there's no problem with that," said Iain Murray, 28, who in the blustary winds, opened a helped design and build all three Kookaburras and now skippers the best of them.

The blustary winds, opened a 2:01 bulge at the seventh buoy.

Australia IV called a lay day Sunday, during which its crew will

Kookaburra skipper, oversaw Satthe fourth straight race and the last race," he said. powered over the line with a threesecond advantage.

naker. Fewster systained a minor ion and scalp lacerations. Kookaburra III then gained 45 seconds to round the sixth buoy

Peter Gilmour, the backup try to improve its performance, cookaburra skipper, oversaw Sai-said spokesman Vern Reid. "Obviurday's prestart maneuvering for ously we will continue to fight until

with a 1:38 edge. Murray, reve

on the first leg and experienced over the past two days and Australia IV."

Australia IV is the flagship of the wing mark, Australia IV's spin-Alan Bond, the West Australian millionaire who spent 10 years trynaker pole swung loose, striking ing to wrest the cup from the New York Yacht Club before he sucbowmen Damian Fewster on the head. Beashel struggled to keep the ceeded in 1983 with the radical, yacht from spinning out of control; winged-keel Australia II.

Now, with Australia IV near Fewster fell to the deck on his hands and knees, holding his head, as Beashel battled to reset the spin-

elimination, Bond appears likely to fail to defend the cup he, worked so The Perth multimillionaire

pinted out that he was down by 3to Dennis Conner's Liberty in 1983 before coming back to win with Australia II and the breakthrough keel. But the skipper of Australia II's triumph, John Bertrand, said of the syndicate's current situation, "it's desperation

"There's always a chance," said Following earlier losses to Kook- Bertrand, who is not racing in this aburra III — by 1:34 and 0:46 — competition. "They're off the pace.

The contest was never close after Reid said, "It is becoming obvious But we're seeing a bigger difference Kockaburra III slipped to a 23- that in the wind and sea conditions than before between Kookaburra

Sukova, Leconte Lead Exodus in Melbourne, **But Top Seeds Advance**

MELBOURNE - Fourth-seeded Helena Sukova of Czechoslovakin and No. 6 Manuela Maleeva of Bulgaria were upset Sunday in the

AUSTRALIAN OPEN

Australian Open tennis tourna-

ment, as were No.5 men's seed

Henri Leconte of France and No. 7 Brad Gilbert of the United States. The women's top two seeds, Martina Navratilova of the United States and Hana Mandlikova of Czechoslovakia, gained the quarter-finals, as did No. 3 Pam Shriver, Czechoslovakia, gained the quarter-finals, as did No. 3 Pam Shriver, No. 7 Zina Garrison and No. 8 Loci United States, who has been trou-McNeil, all of the United States. No. 5 Claudia Kohde-Kilsch of West Germany, No. 10 Catarina Lindqvist of Sweden, who beat Ma-leeva, and Elizabeth Smylie of Aus-tralia, who ousted Sukova.

Third-seeded Yannick Nosh of France, launching his first serious attempt in a grass-court tourns-ment, moved into the men's fourth round with a 7-6 (7-4), 4-6, 4-6, 7-6 (7-2), 6-4 victory over American Bud Schultz.

On Saturday, Ivan Lendl, the world's No. 1 player, beat Matt Anger of the United States, 6-4, 6-2, 6-7 (5-7), 6-2, and No. 2 seed Bonis Becker of West Germany defeated Slobodan Zivojinovic of Yugoslavia, 6-3, 6-3, 3-6, 6-3, to advance into the fourth round along with No. 4 Stefan Edberg of Sweden, the defending champion; No. 6 Milloslav Mecir of Czechoslovakia; No. 9 Anders Jarryd of Sweden and No. 14 Tim Wilkison of the United States.

Navratilova, seeking her 16th grand slam singles title, defeated young Jame Thompson of Australia, 6-4, 6-1. But Sukova, who upset Navratilova here in 1984 (ending a

Davis Copper Paul Annacone, who game.

second successive match to win by 1-6, 4-6, 6-3, 6-4, 10-8. Australian Peter Doohan, who is ranked 297th in the world, then upset No. 8 Kevin Curren of the United States, a former Wimbledon and Australian Open finalist, 4-6, 6-3, 6-4, 6-4. Derrick Rostagno of the United States

beat Gilbert, 4-6, 6-2, 6-3, 6-1. After the first two sets, Leconte appeared headed for an easy victory. But Annacone began serving magnificently and forced Leconte into many ground-stroke errors

bled by torn knee cartilage for some months, got past Javier Frana of Argentina, 6-3, 3-6, 7-6 (7-5), 6-4, but said "there is no way I can beat Edberg" in the round of 16.

"It's a miracle I got this far," he added. "Twe about eight hours' practice since the U.S. Open in Sep ber, and I wanted to pull out before the tournament started. But the officials told me I had to play."

Mandlikova defeated No. 12 Carling Bassett of Canada, 6-2, 4-6, 6-2; Shriver routed No. 14 Jo Durie of Britain, 6-1, 6-2; Garrison elimi ed No. 11 Wendy Tumbull of Australia, 6-1, 6-3; McNeil rallied from a 1-5 first-set deficit to defeat Anne Hobbs of Britain 7-6 (7-4), 6-3, and Kohdo-Kilsch stopped fellow West German Sylvia Hamika, 6-3, 6-1.

Lendl, who is trying to win his first grass-court grand slam title, next plays NCAA champion Dan Goldie of the United States, who served superbly in the final two sets to upset No. 16 Ramesh Krishnan of India, 3-6, 7-5, 6-7 (5-7), 6-2, 6-2. Krishnan, a stylish grass-court player, reached Wimbledon's quar-terfinals last year, but Goldie, 23, 74-match winning streak), was herself upset by Smylie, 7-5, 3-6, 7-5.
Lindqvist beat Maleeva, 6-3, 6-3.
Leconte was eliminated by U.S.

CAP. UP1

**CAP.



No. 4 seed Helena Sukova, down and out of the Australian Open.

SCOREBOARD

Hockey

VHL Standings

(At Wenger, Switzerland)

1. Alarkus Wasmeler, West Germany, 2 strutes. 29.22 seconds

2. Kart Alpiger, Switzerland. 2:20.71

1. Frantz Heinzer, Switzerland. 2:21.17

4. Dontho Scordellotte, Huby, 2:31.26

5. Peter Alctier, Switzerland. 2:21.33

6. Dontel Maturer, Switzerland. 2:21.37

7. Peter Wiresberper, Austria. 2:31.39

8. Germand Profesolicider, Austria. 2:31.44

9. Pirmin Zurbriggen, Switzerland. 2:31.33

10. Stefan Niederserr, Austria. 2:31.42

Sidem
(At Wissen)
1. Joel Gossel, Switzerland, 1:34.86
2. Dietner Könthichter, Austria, 1:37.80
3. Balen Krijez, Yugoslovia, 1:37.44
4. Dietner Könthichter, Sweden, 1:37.45
5. Ingering Steinbarts, Sweden, 1:37.72
6. Alberte Tombo, Hafts, 1:37.53
7. Robert Michich, Austria, 1:38.11
8. Mathies Berthold, Austria, 1:38.14
9. Johann Weitner, Sweden, 7:38.40
10. Pirmin Zurbrispen, Switzerland, 7:38.55

Overall Steadings Zurbriggen, Switze olitis

2 Markus Wazmeler, West Germany, 157

2 Jed Gaspaz, Switzerland, 125

4 Richard Framathan. Huly, 116

5 Ingerner Stammark, Sweden, 114

5 Balon Krilez, Yuspestovia, 72

7. Hubert Strokz, Austria, and Franz
leimar, Switzerland, 79

10. Purter Addier, Switzerland, Afairt Ghan
till, Luxembours, and Michael Mair, Italy, 44

WOMERS

Creamon (5), Carson (6), Karr (54), Creven (11); Otosen (4), Kromm (7), State on geal; Philodelphia (on Smith) 4-16-11-25; N.Y. Issued (co. Smith) 1-18-11-25; N.Y. Issued (co sonders (on Resch) 13-7-8-29. Les Angeles 2 29-6 \$1. Lands 2 11 6-4 Giffmour 2 (25), Flockbarri (12), Ronning (4); Duchesne 2 (3), Robitolife (20), Ludyord (5), Shofts on senil: Los Angeles (on Warmainy, Mil-len) 16-12-11-5-36; \$2 Laufs (on Angelesen) 10-16-16-4-34, Cambrel landers (on Re Quebec 01 |-0 Delreit 210-4 Coles (9), Yaerman (17), Gallant (22); Gillis 2 (11), Sheh as seel: Guebec (on Stefan) 164-5-21; Defroit (on Motorchet) 944-21.

Philimialphia N.Y. Islanders

Tilchown 2 (31), Kurri 2 (25), Grego (b), Smith (d), Gretzky (43); Yaive (14), Johnste (5), Frycur 2 (4). Shots on poul: Edmonton (on Wranser) \$10-16—29; Toronto (on Fuñr,

Vanctorer 3 1 1—4
Cargory 11 1—2
Sundatrom (14), Suther (12), Maccorel (1),
Tanti (19): Mallen 2 (26), Belland (14), Seda
on goal: Vanctover (on Vernam) 10-7-18—27;
Calgary (on Cabrica) 19-17-6—35.

Minmosts 113, Brooke (4): Lorser (17), 7. Alurroy (14), Stefs on east Chicago (or Booupre) 14-7-19. Minmosts (on Bonner-

2. Treedi Hocher, West Germany, 1:17.72 2. Marina Kiehl, West Germany, 1:18.37 4. Mateta Svet, Yugoslavia, 1:18.63

4. Moteks Svet, Yudoslovio, 1:18,63
5. Moccelo Marzelo, Itoly, 1:1849
6. Vreni Schredor, Serbardand, 1:18,67
7. Litas Sovilervi, Conodo, 1:18,57
9. Moria Wollier, West Germany, 1:19,14
19. Diose Holens, Canodo, 1:19,17
Giest Stefan
(At Bischotsviesen, West Germany)
1. Moria Wollier, Serbardon, 1:19,17

1. Marks Walliser, Switzerland, 2:19.34 (1:08.63-1:18.61)

3. Brigitte Gerni, Switzerland, 2:21.44 (1:09.36-1:12.66) 4, Zoe Hotts, Setterriend, 2:21.50 (1:07.43-

4. Blanco Fernandez-Ochos, Spaln, 2:21.97

Overall Standings

1. Maria Wolfiges, Switzerland, 229 soints

2. Vrani Schneider, Switzerland, 291

3. Brights Oerlil, Switzerland, 170

4. Erika Hess, Switzerland, 173

5. Mateja Svet, Yugoslavia, 176

4. Tamara McKinney, U.S., 112

7. Michaia Plaini, Switzerland, 108

8. Cofficerice Quitlet, France, 184

9. Michaia Germany, 23

18. Corliene Schneidhouser, Switzerland, end

World Cup Skiing

5. Stefan Miederseer, Austria, 2:31.42

(1:1044-1:11.31) 7, Comilio Nilsson, Swyden, 7:72.56 (1:10.24-S. Marina Klebi, West Germany, 2:2223 (1:09:78-1:1245) and Elizabeth Kirchter, Austric. 2:2221 (1:1664-1:12.19) 10. Sylvio Eder, Austric. 2:224 (1:1622-

Australian Open

MEN
Third Reseat

Ivon Landi III. Crechestovckie, der. Mont
Ander, U.S., 6-4, 6-2, 6-7, 6-3; Berts Becker (2),
West Germany, der. Sieboden Zivolinovic, Yususiovic, 6-4, 6-3, 6-3; Stefam Edberg (4),
Swedies, der. John Frowley, Austrolia, 4-4, 6-3,
6-1; Tim Wildson (14), U.S., der. Mont Edmontbess, Austrolia, 6-4, 6-1, 7-4, 10-1,
6-1, 6-2; Milestov Mecir (6), Crechestovkia, der. Gery Multer, South Artico. 4-6, 4-4,
Anders Janyyd 17), Sweden, der. Thiarry
Chompion, France, 6-8, 7-4, 2-6, 6-2; Wolffy Mesur, Austrolia, der. Christo Van Remsburg,
South Artico. 6-3, 1-4, 7-5, 4-4, 6-0; Mark Krotzmonn, Austrolia, der. Ken Frach, U.S., 6-4, 6-2,
4-3; Keity Evernden, Mew Zasiond, def. Strad
Peorics, U.S., 6-2, 6-4; Robert Seguen (13),
U.S., def. Jovicer France, Argentine, 6-3, 3-6, 7-6
(7-5), 6-4.

Vanualet Mante (2), Ermenn, def. Bud Schultz.

Yannick Noois (3), Franca, def. Sud Schultz,
U.S., 7-6 (7-4), 4-6, 4-7 (7-2), 4-6) Poud Annocons. U.S., def. (7-4), 4-6, 4-7 (7-2), 4-6) Poud Annocons. U.S., def. Heart Lucarter (5), Franca. 1-6,
4-6-3, 6-4, 10-4; Peter Dootson, Australia, def.
Kevin Curren (6): U.S., 4-6, 4-6, 4-6; Peter Cosh (11), Australia, def. Sen Testermanu, U.S.,
def. Brod Gilbert (7), U.S., 4-6, 4-2, 4-1,

def. Brod Gilbert (7), U.S., 4-6, 4-2, 4-1,

Australia, 6-4, 6-1.

There recom-Lori McNell (E), U.S., def. Marianne Werdel, U.S., 6-2, 7-d; Claudia Kahde-Klach (5), West def. Tina Mochizuki, U.S., 6-2, 4-2; U.S., 4-2, 7-4; Claudia Kohde-Kilach (5), Wasi Germenv, def. Tina Mochbold, U.S., 4-2, 4-2; Jonilee Thompson, Assiratio, def. Beverley Bows, U.S.-4-2, 7-5; Lit Smytk, Aughralia, def. Robbin White (7), U.S., 4-1, 4-2; Wandy Turnbull (13), Australia, def. Jennifer Mundel, South Africa, 4-6-1, 6-2; Corling Busselt (12), Cone-da, def. Andrea Hotilovov, Canchestovalda, 6-1, 7-4; Helsens Satzava (4), Caschestovalda, 6-1, Christiane Jolissoird, Switzerlend, 6-1, 6-2; Zina Gerrison (7), U.S., def. Eva Petrif, West Germany, 6-2, 3-4, 7-4.

Transition

Tennis

ITAINSTEAD

| Italy Steels | Italy S

editue berling Instructors, and Harry Dorigh and Lerry Refinethild minor league pitching dar 35; West Ham 34; Worlford, Sheffield Wednesdov 35; Menthester United, Oxford St. A. DODGERS—Stened Len Melvisch, Fist busenon, to one-year contract.

MONTREAL—Staned Tum Feiery, inflation, to hep-year contract.

ITALIAN FIRST DIVISION

Mattend Basketbell Association
MILWAUKEE—Signed John Lucas guard, LA CLIPPERS—Traded Cadric Mannell, forward, to Houston for a first-round draft pick in 1967 and a thirs-round pick in 1962.

SAN ANTONIO—Bland Anthony Jones.

sach, KANSAS CITY—Manted Horser Smith of-hasive coordinator and Dove Breek defen-

Pass Sirtver (3), U.S. def. Jo Durle (14), British, 4-1,4-2; Caterins Lindavist (19), Sweden, def. Monuela Makeeva (4), Bulgaria, 4-3, 4-3; Lori McNell (8), U.S. def. Anne Hobbe, British, 7-4 (7-4), 4-3; Claudia Kahde-Klisch (5), West Germany, def. Sylvia Hanika, West Germany, 4-2,4-1; Zina Garrison (7), U.S., def. West Yambul (11), Lastradia, 4-1,4-1; mires

ENGLISM FIRST DIVISION
Evertun 2. Shelfield Wadnasdoy 0
Monchester City 0. Liverpoel 1
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Liverpool 65; Notitiophem Forest, Luten, Ner-

Jovanna 2, Udinese T
Points Stundines: Nopell 24: Inter Allion 22;
Javantus 21: Varons 21; Ramo, A.C., Allion 17;
Como 14; Sempdorio, Torine 13; Pjergring,
Avetilino 12; Alciante, Empul 12; Bresde 11;
Acosti 19: Udinese 5.
SPANISH FIRST DIVISION

Zerosasa G. Murcia S Atletica de Madrid Z. Caulz G

Glien 1, Les Pointes 2 Points leaders: Barcala

POOTBALL
Rations Fethall League
AMERICAN CORPERENCE—Named
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replace Dan Marine of Allemian five Pro Squir
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U.S. College Results FRIDAY'S SCORES

Aifred M. Buffola 80 Howall Pacific 64, St. Ther Leyela (Calif.) 70. Pertiend 67
Personnilles 87. Gatzana 70

promiento St. M. S. Utoh St. 76 nos-El Poso 45, Cotorodo St. 42 SATURDAY'S SCORES EAST American Init, 79, Bentley 42 Amerst 8t, Williams 75 Botes 72, Worcaster Tech 9t, OT Cornell 91, Brown 86 Drawel 76, Lehigh 74 Decurses 72, Massacksaets 59 Pairfield 63, La Saile et George Woshington 22, # Homilton 89, Elmiro 78 Havilhorne 44, New Eng Hely Cross 72, Army 40 ithace 43, RPI 55

Middlebury 77, Brandal Navy %, American @

Pfittsburgh 112, Chicago St. 70 Providence St. Beston Col. 71 Rhode Island 77, Rutgers St St. Francis (Ps.) 104. Leng to St. John's 69, Connecticut 54

SOUTH
Aichoma 71, Missimalpel 42
Aichoma 71, Missimalpel 42
Aichoma 72, Moryland 44
Davidson 22, Appolachion 31, 59
Duks 68, Water Forest 49
Fiorists 97, Tennessee 90
Formon 90, VARI 77
Georate 48, Missission 31, 41
Jacksonville 89, Old Dominion 32
South Carelling 44, Memphis 31, 22
Tenn-Chattoneogo 77, N.C.-Actenville
Vanderbill 91, Automa 75
Virulaic 31, Villanovo 39
Virulaic 31, Villanovo 31,

Aicred By, Austin Peory 76 Boll St. St. Onto U. 32 Bowlins Grays St, York St. 43 Conf. Michigan 74, Toledo St Chicago 61, Lowrence 57 Cincinnati 69, Florida 51. Cincinnati 69, Florida 51, 67 Cornell (lova) 71, litinats Col. 66 DePaul II, South Florida Si Illinois III, Minnesota Si III.-Chicago III, E. Illinois III Indiana IS. Herthwastern 4)

Darrell Kennedy (white jersey, above, hattling for a first-half rebound) hit a jumper with 12 seconds left to give Oklahoma an 89-88 victory over previously unbeaten Nevada-Las Vegas.

Basketball

Konsos II. Miemi (Pie.) 47 Konsos St. 48, Jawa St. 45 Marquette 44. Device 57 Miemi (Oble) 77, W. Michig uri 17, Okleheme St ska 16, Colorado 46 Otelo St. 61, Wisconsin 44 Tutsa 49, Indiana St. 46 Wichita St. 81, S. Illinois éli Xarrier (Obio) 77, St. Louis éli

Lemar Vo. Hooping 57
M. Tasons St. 72, McNeese St. 64
Oktohomo Sh. New-Loss Vegen St.
Orol Roberts 71, 5W Tasons St. 63
Tesons 61, So. Methodist 65
Tesons A&M 62, Tasons Tech 60
W. Tamons St. 64. Annalis St. 64
W. Tamons St. 64. Annalis St. 64 W. Texas St. 64, Angelo St. 64 FAR WEST

FAR WEST Arizona 73, Washington 72 Brigham Young 90, Havell California 87, Stantors 72 Gonzago 114, Layola (Colft.), 191 Lang Beach St. 50, New Mexico Metro St. 72, Seathle Pacific 56 Membron 71, Lindau St. 43 Membros St. 68, Waber St. 53 New-Marico 88, Air Sprong 77 New Mastico 88, Air Perce 46 Fortiond 68, Papperdine 57

LA Labers

Cleaners 17 7-10 18, V. Rebuseds: Housien 57 (Bumpson 12), Detroit 46 (Leimber 10), Ap-sists: Hoesian 23 (Reld?), Detroit 25 (Dumars

California E7, Stantord 72 Gonzago 114, Layola (Calif.) 191, OT

Chempionals Reved Nazarett, N.Y. 81, 82, John Flater 71 Brockpart 32, 11% Hickart 102 Cassatellies Reved Rocksers 51, Roberts Wasteyon 42. Chempionalis: Hozzareth 90, Brockport 92, 73 Taird Pison: Hobort 92, 31, John Flater 88 Liberty Best Clease Competitors 51, 51, E. Competitors 45

Son Diego 48. Son Francisco 54 Son Jose St. 42, Freeno St. 61 Sonte Cloro 55, St. Nary's (Colit.) 45

Connecticut Col. 59. E. Connecticut 45 Trinity, Conn. 59, Wesleyen 58 Nempionship: Trinity, Conn. 87, Con

National Basketball Association Standings

breads; Philoselphia et (Bortoley 13), Chica-so S2 (Oakley 17). Andels: Philoselphia 21 (Cheeks 6), Chicago 31 (Carsine, Jordon 6), Deltreil 32 12 25 44–113 New Jersey 31 25 25 24–113 26 18 222 — Defroit 21 21 35 26—128
19 18 314 79
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Antonio 22 (Ross...

Brew York

Cleveland

Harper 11-17 6-11 29, Williams 6-13 3-4 15,

Dougherty 6-16 3-8 15; Carteright 12-18 5-5 29,

Ewing 9-34 3-10 26, Rehounds: New York 37

4 27

Corteright, Ewing 10), Carveland 78 (Williams 18), Assists: New York 21 (Honderson 10), Cleveland 71 (Hutboard, Bosley 4).

21 34 22 16 16—115

30 16 25 22 16 14—119 Cleveland Sesses 29 30 32 31 11—144 McHele 15-25 8-9 38, Dougharty 19-22 6-5 24 11-22 8-9 38, Dougharty 14), Bop-Harrer 11-28 8-7 30, Dougherly 19-22 4-5 26. Rebuonds: Cleveland 60 (Cougherly 14), Bee-ion 42 (McClele 10). Assists: Cleveland 27

77. Septemble 20 20 20 31 32 28-112 10). Ceverle 36 31 32 38-101 Doiles: m 13-19 9-15 32, Reid 9-14 3-1 21; Du- indicase Lindy 13-23 3-4 29, Flaming 9-13 3-3 21; Per-lding 13-19-5-627, Horper-9-16 1-2 23, Referends: Dollacs of Chemidian 12) Indiano St (Williams 14), Assists: Dollacs St (Horper 7), Indiano 34

Dolles Alikenikae 29 16 24 39 12-12-12-Aputro 8-77 11-14 37, Perkins 9-14 7-6 25; Cummines 14-28 7-12 39, Piarce 10-21 7-7 27, Sentitie

MicDoniel 14-193-2 M. Chambers 11-177-529:
Alarie 5-16 3-4 21, Emellsh 7-16 3-4 37. Rebeands: Desiver 54 (Schoves 10), Seotite 39
(Chambers 10), Assatsh: Deriver 21 (Laver 5),
Seotite 32 (McAMileon 12).
L.A. Clippers

17 32 32 34-116
Getden State

27 31 37 34-116
Corroll 15-23-3-23, Rioyd 6-14-71 35; Drew
6-16 5-5 22, Cope 7-12 4-5 18. Reheemis: Los
Angeless 48 (Cope 11), Golden State 43
(L-3millh 17), Assatst: Los Angeles 19 (Velenline 4), Golden State 29 (Florat 16).

Philiotelphilis

28 22 26 13-89 AMERICA'S CUP 1987

LANGUAGE

Some Arcane Prolepses

By William Safire wan last month. Madame Chiang Kai-shek, 86, was asked by her stepson, President Chiang Chingkuo, to issue a statement endorsing

She made her statement, but The Economist's reporter in Taipei wrote: "the language was so arcane that it baffled interpretation." Madame Chiang said this: "I am fully cognizant of a prolepsis of malicious misreading of my

thought given to you here." sir means "an anticipat ing." In the expanding language of media-bashing, it means the false description of an event before the event has taken place; a theater critic will write a proleptic review of a play that has not yet had its first performance. In rhetoric, prolepsis is the anticipation of your ing what he is likely to say in a slanted fashion and demolishing his point before he has a chance of

dvancing it himself. It's a super trick and I do it all the time; thanks to Madame Chiang, I now know the name for it. In return, let me edit and rectuate her sentence for those who find it arcane (from the Latin arcanus, "shut in, hidden"): "I am fully cognizant (better to use well aware) of prolepsis — the technique of maliciously misreading my thoughts — that has been given to you here." That could be followed by quoting Edward VIII's abdication speech opening: "At long last I am able to say a few words of my own."

, TOO, was perplexed by her statement because prolepsis is easily confused with paraleipsis, which means "the technique of pointing something out while denying you are pointing it out."

In a speech during her visit, Ma-dame Chiang deplored the way the free world had offered victory "as corban to whet the voracious appetite of the bear." Corban is from a Hebrew word for "sacrifice" and can still be found in unabridged dictionaries meaning "offering."

She noted with disdain the "prevalent prevarications" of some commentators. It goes without say-ing that Madame Chiang thinks the

WASHINGTON —One of the liberal bias. (In that last sentence, the prolepsis is the unfair assumptites of World War II visited Tailing to the likely argument, and the paraleipsis is the saying of what is said to go without saying.)

> LT began in a New York minute after a recent piece about geographical derogations, the use of place names as modifiers to sneer at a trait or an occupation. My colleague Russell Baker passed along a cryptic message — "Larch-mont lockjaw" — which I took to mean the pronunciation affected by yuppies. I then passed it along as the speech affected by "upperclass lowerclassmen returning to suburbia."

"The correct phrase is Locust Valley lockjaw," insists Arthur Knapp Jr. of Larchmont, New York, where the Larchmont Yacht Club faces Locust Valley, across the Long Island Sound barrier. He claims that locution denotes the speech of "the yacht-racing mem-bers of the highly social Seawan-haka Corinthian Yacht Club located on Oyster Bay, many of whom live in or around Locust Valley." "The Larchmont lockjaw to which you referred is also known as Locust Valley lockjaw and Main Line malocclusion," writes Eve

Golden of New York City. Well, which is it to be - Larchmont or Locust Valley? Willard Espy, the wordsman whose most recent book is "Words to Rhyme With: A Rhyming Dictionary, re-calls, "In the early 1930s, the expression Larchmont lockjaw was generally restricted to certain up-per-class females from Westchester County, and the affliction was preamably the fault of the schools

However, recent print citations tend to place the locus on Long Island's North Shore. In a 1981 article in The New York Times on learning to be a preppie at age 37, Rita Esposito Watson wrote, "One lovely lady — with Locust Valley lockjaw — asked, 'How, my deah, are you going to manage graduate school in teeny-tiny quarters with-out household help? "A year later, in the same publication, Charlotte Curtis described an effusion by Gloria Vanderbilt as coming "in that locution so redolent of Locust Valley lockjaw."

New York Times Service

John Adams's Eclectic Music

By K. Robert Schwarz New York Times Service

glance, the music of John Adams appears to consist of ir-reconcilable elements. Long an admirer of Minimalism, Adams has absorbed and personalized a musical language that derives from that of Steve Reich. Yet he has taken the Minimalist heritage and dispensed with its old austerity, employing its gestures within a highly expressive, almost Ro-mantic context. The unexpected combination of Minimalism and Romanticism that ensues seems. in his hands, to present no con-Perhaps that is because the two

sides of Adams's music reflect two equally different parts of his personality. Like most composers with an abiding interest in Mini-malism, Adams is fascinated with repetitive rhythmic patterns. Yet he is also thoughtful and introspective, spicing his conversation with casual references to Jung and Nietzsche, and that subjective side is equally prominent in his music. Recently, during the composition of his orchestral work "Harmonielehre" (1984-85), he became fascinated with fin-de-siècle Vienna. "I find great inspiration in this period, precisely because of the primacy placed on expression," he says.

Adam's personality embraces one more pair of contradictions, between an almost childlike inveverent streak and a sober, selfexamining one. Critics have had a tough time with the former, which became all too evident after the premiere of his "Grand Pianols Music" (1981-82). "The Chairman Dances" (1985), performed recently by the American Composers Orchestra under Dennis Russell Davies at Carne-gie Hall in New York, similarly presents that side of me which drives people up the wall, they simply can't understand this strange, ironic stance I sometimes

The contradictions that comprise Adams's work were formed during a highly eclectic musical upbringing. Born in 1947, he studied with Leon Kirchner and Roger Sessions at Harvard, where he wrote in the acceptable atonal idiom of the 1960s. Soon, howev- equally exalted work were



Romantic Minimalist composer Adams: "I embrace the whole musical past."

er, his path toward modernism was disrupted, partly by his move to San Francisco in 1972. First. he became fascinated with John Cage and chance processes; next, he experimented with electronics finally, he discovered the music of Steve Reich, which made the most profound impression.

His "Phrygian Gates" for pi-ano (1977-78) and "Shaker Loops" for string septet (1978) betray Reich's influence in their repeated patterns, but their directionalized sweep and impassioned climaxes already indicate Adams's own voice. "What sets me apart from Reich and Glass," Adams says, "is that I am not a modernist. I embrace the whole musical past, and I don't have the kind of refined, systematic lan-gnage that they have. I rely a lot more on my intuitive sense of

This became even more evident in Adams's "Harmonium" (1981), scored for huge chorus and orchestra. Set to texts of Emily Dickinson and John Donne, the grandiose climaxes and explosive rhetoric revealed the subjective, Romantic side of his personality for the first time. Yet listeners who expected "Harmo-nium" to be followed by another

shocked when "Grand Pianola Music" proved to be irreverent and even parodistic, filled with echoes of marching-band music and an almost perverse diatoricism. Adams, however, still defends "Pianola": "I truly love it, and in the long run, people will find more outrageous originality in it than in either 'Harmonium'

"Harmonielehre" refers in its title not only to Arnold Schoenberg's 1910 harmony treatise of the same name, but to the whole ferment of Viennese Expressionism. Echos of Mahler, Schoenberg and Sibelius abound in the piece, but Adams is quick to insist that they are not used in any quotational sense

The deeply personal expression of "Harmonielehre," is a far cry, however, from the perodistic antics of "The Chairman Dances." Inspired by a single image from his three-act opera "Nixon in China" — that of Mao dancing with his future bride, the movie star Chiang Ch'ing - "The Chairman Dances" is an amusing mixture of skewered, pulsing for-trot rhythms of the lush string

lines of old Hollywood films. A collaborative effort with the director Peter Sellars and the librettist Alice Goodman, "Nixon in China" will receive its premiere at the Houston Grand Opera in October 1987, before moving to sic's Next Wave Festival in De-

emount of satisfaction that "Nixon in China" may surprise many of his admirers. "It's funny and catertaining, but it's also sympathetic. There may be lots of irony, but there are moments when Pat and Dick are dancing together that are truly touching. It's not at all the political hatchet-job that most people expect it's going to

But "Nixon in China" also addresses the larger issue of opera's role in contemporary musical life. Rather than seeing a danger in selecting such a recent topic, Ad-ams feels that "this is what opera should be doing. The movies, af-ter all, do it all the time. Opera is so completely out of touch in this century; it has lost its relevance to our experience. We hardly need another opera on the Shake speare play or a Greek myth." And, while "Nixon in China" examines timely political and social issues, it will do so with that mixture of parody and sincerity, of Minimalism and Romanticism, that has become so peculiarly the COMPOSEL'S OWN.

POSTCARD

An Island of Nutmeg

By Mark Kurlansky

ST. GEORGES, Grenada — So close to South America and so far from the United States, Grenada has remained the Caribbean's perfect little island through coups, revolutions and invasions, or if you prefer, rescue missions.

And it looks like it is going to stay that way for a while longer. What to do on Grenada while the locals are waiting for a tourism boom that has never happened: eat a local West Indian cuisine still uncorrupted by the demands of tourists, swim in deserted white sand coves, romp through dense tropical mountains, or drink strong, nutmeg-scented rum punches with the lonely hotel managers at their cozy, empty bars.
While the number of visitors

grows dramatically every year, the 13-by-21-mile (21-by-34-kilometer) island cannot become too overrun while there are only about 500 tourist class hotel rooms. There does seem to be an effort

to preserve the look of the island. With customary Grenadian imprecision, a law bans the construction of buildings taller than the beight of a palm tree. So the beaches look almost vir-

gin in long expanses of sand. A few low hotels are hidden behind the paims on Grand Anse Beach near the capital. There is nothing but tropical nature in most of the se-cluded coves elsewhere.

St. George's, the capital, is a town of narrow steep roads built against tropical mountains. Its red moss, the old ones tile and the new ones painted metal sheeting, contrast with the deep green of a Span-ish Basque village. The town wraps around a deep harbor, a perfect royal blue color.

What really makes this town seem like an enchanted place is the smell. It is a bitter-sweet, fruity, dark smell almost like good rum. It is the smell of nutmer, the leading export. It is bagged in burlap, trucked to town and shipped from the harbor. But anywhere in town, especially along the Carenage, as the row of storefronts along the harbor is called, there is that aroma. of walking in the land of eggnog. Other spices grown on the island include cinnamon, cloves and all-

spice. All play a strong role in the

local cuisine. There is cinnamon

and nutmeg ice cream. Sea moss is

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weed with milk and spices. It tasted

like a nutmeg milkshake. The only concession most restaurants make to foreigners is the powerful homemade hot sauce is put on the table in a bowl for Grenadians to heap on their food and foreign-

ers to avoid. If there is such a thing as the callaloo soup. Its base is the heartshaped leaf of a plant called dasheen, taro or elephant car. The leaves are pureed and blended with a stock from crab, lobster or crayfish and coconnt milk.

Among the game of the island is opossum, a strong gamey tasting animal known locally as manicour A more delicate meat is armadillo, known here as tattou. Crab back, spicy stuffed land crab, is also pop-

And like everywhere in the islands there is breadfruit, which looks so interesting hanging from the trees in great bumpy green balls but in taste resembles a slightly fruity, generally tasteless potato. The challenge is to make it interesting since it costs almost nothing to grow or buy. So there are bread-fruit puffs, fried breadfruit balls, stuffed breadfruit, cream of breadfruit soup and breadfruit salad. Any of these would be better if you used a potato.

It is better to have sea eggs on toast. These are white sea urchins. The meat is dried in the sun and sold stuffed back in a despined un chin shell. It is then sauteed and served on toast. Another sea forstaple of almost all the islands conch, known by the Creole name, lambi. In Grenada it is marinated curried, cooked in coconut or any-

thing else.

To taste the full range of Grenadian food the place to go is Ma-ma's. Mama, whose real name is Inslay Wardally, is as round as a breadfruit, and she and her four daughters serve more than 20 dishes for about \$20, with drinks.

There is food everywhere, and it socially acceptable to steal a quick meal from your neighbor's tree. Even if you don't need a meal, for a treat children like to crack open the red cocos pods and suck the sweet-sour white fruit off the

Mark Kurlansky is a journalist based in Miami.

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